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World news

Business summary

French cabinet crisis averted

A cabinet crisis in France was averted yesterday after Mr Francis Leleu, the Minister of Culture and leader of the free market Parti Republicain, announced to his party congress that he would not resign his post as minister.

The move was welcomed by Mr Jacques Chirac, the French Prime Minister, who had earlier last week called on Mr Leleu to choose between his functions as minister and party leader.

Although the emphasis was on conciliation, the quarrel is seen to have weakened the government by leaving a legacy of distrust between Mr Chirac's neo-Gaullist RPR party and the other members of the coalition. Page 2

Lebanon bombing

An Israeli soldier was killed and two others wounded when a roadside bomb exploded alongside their patrol in Israel's self-declared security zone in southern Lebanon.

Bulgarian visit

Soviet Foreign Minister Eduard Shevardnadze will visit Bulgaria later this month when he is expected to inform Communist leaders about the Kremlin's drive for social reconstruction.

Pope in Poland

Solidarity leader Lech Walesa denied official claims that his movement plans to disrupt the Pope's visit to Poland, which begins today. Page 3

Squatters run riot

Sixteen police and one fireman were injured when 150 squatters ran riot in the West German city of Freiburg, setting cars on fire, smashing windows and erecting barricades.

Thatcher confident

British Prime Minister Margaret Thatcher is confident of winning a record third consecutive term in Thursday's general election, despite a strong challenge from Labour leader Neil Kinnock. Page 18; Campaign reports, Pages 12, 13

Fatal fire in Tokyo

Seventeen people aged between 71 and 93 died and 27 were injured in a fire at an old people's home in a Tokyo suburb.

Bavaria in Britain

Ousted Fijian prime minister Timoci Bavadra arrived in London seeking support for his reinstatement campaign from Britain and from the Queen, head of state of the Pacific island nation. Page 5

Soviets leave

A limited withdrawal of Soviet troops from Mongolia has been completed with the pullout of one motorised rifle division and several units, the Soviet Defence Ministry said.

Turks attacked

Kurdish guerrillas attacked and seriously wounded 11 Turkish truck drivers in a convoy heading through Iraq.

First lady's crusade

Nancy Reagan, wife of the US President, takes her anti-drugs crusade to Sweden today on a visit that will include a meeting with the widow of murdered prime minister Olof Palme and a look at a home for drug-addicted mothers.

Out of the lions' den

Game catcher Mike Oosterlaak emerged unharmed after spending 64 days and seven hours in a lion's cage to raise money to buy two gorillas for a zoo north of Johannesburg, South Africa.

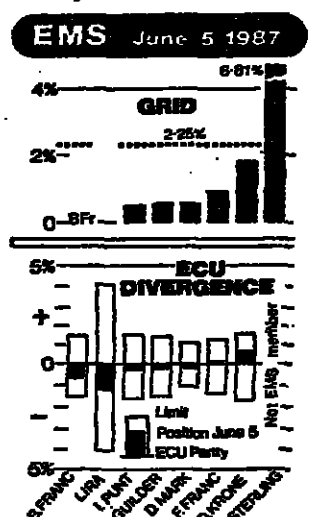
Moroccan marriage

Foreign royalty joined tens of thousands of Moroccans thronging the city of Marrakesh for the lavish wedding of one of King Hassan's daughters and 250 other brides. Page 2

US Bell group enters UK market

SOUTHWESTERN BELL, one of seven companies spun off from American Telephone and Telegraph in 1984, is to enter the UK telecommunications equipment market. Page 13

EUROPEAN Monetary System: Currencies showed few changes during the week. With the dollar finishing little changed against the D-Mark, the Belgian franc stayed sufficiently steady to allow a small cut in short-term Treasury bill rates on Friday.



Activity was influenced by the fact that the economic summit in Venice is due to start today, but traders were afraid that a lack of agreement might prompt another dollar decline, and so increase the pressure on weaker members of the system.

The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the DM) may move more than 2% per cent. The lower chart gives each currency's divergence from its 'central rate' against the European Currency Unit (ECU), itself a basket of European currencies.

STOCKHOLM's stock exchange is to fine five Swedish companies, including Scania and Alfa-Laval, for breaches of listing regulations. Page 30

GENERAL MOTORS Continental is to spend \$2.8bn (\$74m) over the next year to modernise and upgrade its Belgian production facilities in Antwerp. Page 19

NORWAY's minority Labour Government plans new laws to regulate the Oslo Stock Exchange, reflecting concern about insider trading and volatility caused by short-term trading. Page 28

US SECURITIES and Exchange Commission is considering easing a rule on the distribution of foreign securities in the US, in a move which could have a significant effect on the international equities and Eurobond market. Page 29

A LLOYD'S of London marine insurance syndicate has had to provide for possible losses of £248m (\$406m) over the next 20 years for claims arising from asbestos and pollution in the US. The 1,458 people who belonged to the syndicate in 1982 have been asked to contribute £10.27m now to bolster reserves. Page 18

WELLCOME FOUNDATION, UK drugs company, launches a court action today in an effort to overturn the granting of British patent to Genentech of the US for making TPA, a clot-dissolving drug. Page 16

SUDAN has postponed until next month talks with the International Monetary Fund due this week, to allow its parliament to ratify the budget.

LIBYAN ARAB Foreign Bank is claiming about \$90m from the London branch of Bankers Trust Company of New York in a court action due to start today. The case arises from US sanctions imposed against Libya in January 1986. Page 11

Leading industrial nations will focus efforts on closer currency co-operation

Venice summit to stand by pledge on stable markets

BY STEWART FLEMING, PHILIP STEPHENS AND JOHN WYLES IN VENICE

LEADERS of the seven leading industrial nations will this week reaffirm their governments' commitment to promote stability on foreign exchange markets and to strengthen economic co-operation.

The three-day annual economic summit which starts later today is not expected, however, to bring any major new policy initiative to underpin that commitment.

Instead, the leaders of the US, Japan, West Germany, France, Britain, Italy and Canada will receive a report from their finance ministers detailing the progress made in enhancing co-operation since last year's summit in Tokyo.

Officials involved in preparations for the talks said the report endorsed February's Paris accord between finance ministers, in which they pledged to seek currency stability by closely co-ordinating their economic policies.

The heads of state and government are expected to approve that report and to call on the finance ministers to refine the use of economic performance indicators. The indicators are aimed at ensuring that national policies remain compatible with more balanced growth in the world economy.

The officials said the US appeared to have dropped its previous insistence that the indicators be given added force as targets rather



Mr James Baker

than forecasts in the face of opposition from Britain and West Germany.

Mr Nigel Lawson, Britain's Chancellor of the Exchequer, said last week that the indicators, which cover a range of variables from growth rates to trade balance and exchange and interest rates, "had not been fully thought through".

Mr James Baker, the US Treasury Secretary, however, will be able to cite the commitment to develop them further as evidence that the US is willing to battle to establish a more formal framework for economic co-operation.

ON OTHER PAGES

Tug of war over Bonn tax plans; US-Iran threats over the Gulf; Venice's sharks wait for the Summit-goers, Page 3

Feature: Many leaders but a lack of leadership. Page 16
Editorial comment: Lessons from the Marshall Plan, Page 16

Despite the recent slowdown in world economic growth, the summit's final communiqué is likely to be relatively upbeat in its assessment of economic prospects. Governments believe that it is crucial to restore confidence in the outlook to prevent the slowdown turning into a recession.

West Germany, however, is likely to face strong, if discreet, pressure from several of its allies to do more to stimulate its economy. Japan's recently announced package of stimulus measures is seen as a

Continued on Page 18

ICI poised to buy 50% of European seed group

BY ALAN FRIEDMAN IN MILAN

IMPERIAL Chemical Industries (ICI), the leading UK chemicals group, is in an advanced stage of negotiations to buy a 50 per cent stake in one of Europe's biggest seed producers, Société Européenne de Semences.

The stake in the Brussels-based company is held by Ferruzzi, the Italian agro-industrial group.

ICI and Ferruzzi are also understood to be discussing possible collaboration agreements in the agro-industry sector, especially joint research projects.

On Friday ICI agreed to pay \$1.88bn for Stauffer Chemical, a US agrochemicals group acquired by Unilever last December, bringing ICI from sixth to third in the world agrochemicals market.

SES is the biggest seed producer in France and also has operations in Italy and Spain. A price of around \$25m (\$2m) is believed to

be being discussed for the Ferruzzi stake. The other 50 per cent of SES is controlled by investors in Belgium.

Agreement could be reached within the next fortnight. Neither Ferruzzi nor ICI, which is believed to have made the initial approach, would confirm the talks yesterday.

Seed breeding is seen by ICI as an important part of its strategy for both agriculture and biotechnology in the next century. The group has been pushing into the world market for the last two years, both through a £17m research programme concentrated in the UK and through several acquisitions, the largest to date being Garst Seeds in the US, bought in 1985 for an estimated \$80m.

Ferruzzi yesterday pointed to ICI's purchase of Stauffer as proof of the "validity" of its own strategy of having bought control of Monte-

dison (the Milan-based chemicals concern) and of developing a combined agro-industry and chemicals portfolio.

The Italian company sees ICI as a chemicals group which is interested in developing its agro-industrial holdings while it, in contrast, started from an agro-business base and is developing its holdings in the chemicals sector.

Ferruzzi, Europe's biggest sugar processor, and the largest cereals trader, has spent around \$1.7bn to build up a 40 per cent equity stake in Montedison, which under Italian convention gives it control. Its total revenues last year were about \$7bn (Montedison's 1986 turnover was about \$10bn).

The company agreed 10 weeks ago to pay \$60m to acquire the European corn-starch and glucose operations of CPC International, the US grocery products group.

European steel plan will urge output control to replace quotas

BY WILLIAM DAWKINS IN BRUSSELS

THE FINAL details are starting to emerge of a far-reaching three-point plan for the future of the European Community steel industry, due to be adopted by the European Commission by July 15.

The scheme, being worked on by Mr Karl-Heinz Narjes, the industry commissioner, with Mr Peter Scharlach, the competition commissioner, will include a completely revamped system of output controls to replace the present quota arrangements after they expire at the end of the year.

New financial incentives will aim to encourage the closure of more surplus capacity, now running at around 30m tonnes according to Commission estimates. There will also be proposals to alleviate the social hardship that will come from such shutdowns. Job losses will be

huge, the Commission estimates that, even if it did nothing to hasten further closures, steelmakers' existing plans for cutbacks would put at least 80,000 people out of work in the next three years.

The scheme is being drawn up as a result of the failure of attempts by Eurofer, the "club" of 22 big integrated steelmakers, to agree enough voluntary cuts to bring capacity in line with flagging demand. Eurofer had been arguing for the production quota system, introduced in 1980, to be extended for a further three years. The Commission, which was initially sceptical about Eurofer's claim that demand was still too weak for its members to be exposed to a free market, is now becoming more sympathetic as the prospects for a recovery in steel sales becomes increasingly dim.

The producers have earmarked capacity amounting to almost 15.2m tonnes for closure. That would go only a little over half-way towards restoring market equilibrium. Mr Narjes has accused Eurofer of deliberately delaying any decision on scrapping remaining quotas, and Commission plans to end quotas for three products - wire rod, light sections and merchant bars - by the end of last year have had to be put on ice.

Eurofer itself is far from united. Its internal negotiations are thought to have broken down because of the refusal of efficient producers like British Steel and Hoogovens of the Netherlands to offer cuts. Eurofer's official explanation is that it could sacrifice no more than the 15.2m tonnes it has so far identified without governments' help.

Liberalisation is far from united. Its internal negotiations are thought to have broken down because of the refusal of efficient producers like British Steel and Hoogovens of the Netherlands to offer cuts. Eurofer's official explanation is that it could sacrifice no more than the 15.2m tonnes it has so far identified without governments' help.

Wave of prosperity eludes gondolieri

By John Wyles in Venice

AS A "tide in the affairs of men" of the kind to which Shakespeare once alluded, the world summit opening in Venice this evening is certainly as technically demanding and physically disorienting as any of the aquatic variety which have swept over the Serenissima during its long history.

It does, however, bring profit and international publicity in its wake which is why most Venetians have been prepared to put up with the inconveniences posed by the presence of 7,000 police and army, "no go" areas on land and water and a general raising of the level of officiousness.

Only the gondoliers have been seriously alienated: they cannot ply their trade around St Mark's square and the lagoon and, to judge by their complaints, their entire seasonal earnings could be wiped out by the loss of four days' freedom of navigation.

Venice is already a veteran in the summit business, having hosted the 1980 version. Since then, however, the quest for total security for the heads of state and government involved has become ever more desperate.

Naturally the most illustrious hotels have had to be commandeered: the Grillo which houses Mrs Margaret Thatcher and Mr Jacques Chirac, her French counterpart, the Danieli housing Mr Helmut Kohl, the West German Chancellor, Mr Yasuhiro Nakasone, Prime Minister of Japan, and Mr Brian Mulroney, the Canadian Premier.

Above all there is the Cipriani, President Ronald Reagan's quarters, where hour-glass blondes in designer swimsuits have made way for less picturesque and rather more bulky presidential guards.

President Reagan himself should reach Venice today reasonably in the pink. After arriving in Italy just before midnight last Wednesday, he has hardly stepped from the suite luxury of the Villa Condalmer, about 10 miles from Venice.

He has taken in the odd pre-summit briefing, watched video films, strolled the grounds with Nancy and dined on food flown in specially from the US for attention by 10 travelling White House cooks.

The Reagans made a brief sortie on Saturday but the early summer calm of Rome was barely disturbed by Mr Reagan's 55-minute private audience with the Pope.

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India tells Sri Lanka to stop bombing raids

BY JOHN ELLIOTT IN COLOMBO

INDIA has told Sri Lanka that it should not conduct any more air strikes and bombing raids on the northern Jaffna Peninsula during offensives against Tamil extremists who are fighting for some form of independence in the north and east of the island.

This is the explicit message given by India following its dramatic assertion of military supremacy over its tiny neighbour last week when five Indian transport planes, escorted by four Mirage jet fighters, invaded Sri Lankan airspace and dropped relief supplies to Tamils in Jaffna.

Meanwhile reports were circulating last night in Colombo that a massive demonstration by members of the ruling United National Party today planned to burn down a new Indian High Commission building being constructed in the capital. According to diplomatic sources, India was assured last night by Mr Abdul Hameed, Foreign Minister, that full protection would be given to all Indian nationals and property.

Two defence establishments on the outskirts of Colombo were attacked early yesterday morning by extremists from the island's majority Sinhalese community who have been posing a new threat in recent months to the country's stability. Three extremists and one sentry were killed and arms were stolen.

The extremists belong to the Jaththa Vimukthi Peramuna (JVP), or Peoples Liberation Front. It is a proscribed Marxist-based revolutionary group seeking a new political base among the island's majority Buddhist community to exploit frustration over the government's handling of the Tamil issue.

India's invasion of Sri Lankan airspace last week followed a large scale operation by Sri Lankan government forces against Tamil extremists in Jaffna. During the past few days this offensive has been reopened, in an attempt to link two government held areas. But this has caused serious concern in India because of unconfirmed reports that air strikes and bombing missions were also resumed, causing widespread civilian deaths.

There are fears in New Delhi that it might herald the start of another full scale offensive. Meanwhile talks have started between the two countries on India supplying more relief aid through official channels.

Despite last week's events and India's attempt to dictate terms for offensives against the Tamils, there are signs that Sri Lanka's Foreign Ministry wants to rebuild its relationship with its large neighbour which for the past three years has been operating as a mediator on the Tamil issue.

Theft shows flaw in UK securities trade

BY CLIVE WOLMAN IN LONDON

ABOUT £500,000 (\$812,000) worth of bearer securities mailed from Switzerland to a City of London merchant bank were stolen from a central London post office and sold through a Channel Islands stockbroker to other City securities firms.

The thieves disappeared with about £400,000 of the proceeds of the sale before the police froze the assets.

The theft has highlighted the security risks created daily in the City of London by the physical transfer of millions of pounds worth of easily encashable bearer securities.

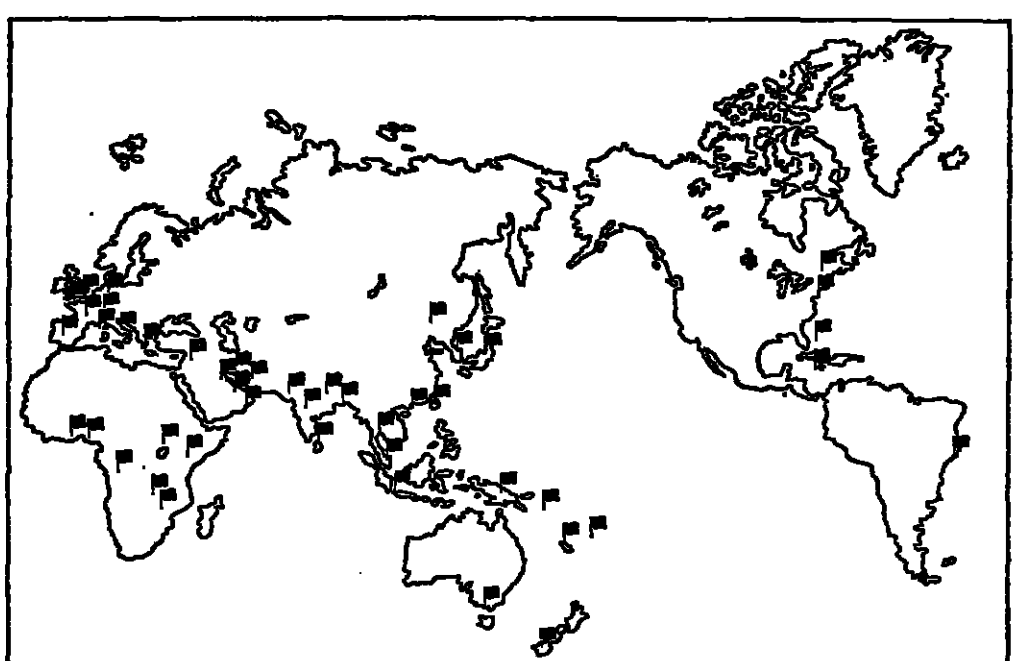
On March 12, the Swiss Bank Corporation in Geneva posted to Warburg Securities in London some 70,000 deferred bearer shares in De Beers Consolidated Mines, the South African mining company. The shares had been sold to Warburg for a price of slightly more than \$750,000. The parcel contain-

ing the bearer shares was registered with the postal service but, apparently, no other security measures were taken.

The package was in transit in a large bag containing a wide variety of items which was stolen from the main King Edward Street post office in the City of London. The bag also contained two other packages with bearer shares in much smaller amounts, in one case about £10,000 worth.

City of London fraud squad officers believe the theft was opportunistic rather than the work of a sophisticated team. They also believe the bearer shares were removed and sold to a "fence" who then approached a stockbroking firm in Jersey. He was introduced by a client of the firm and said he had recently inherited the shares. The

Continued on Page 18



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OVERSEAS NEWS

Hollywood glamour for Morocco's royal day

By Andrew Whitely and Francis Giles in Marrakesh

MOROCCO'S royal wedding of the year, a three-day extravaganza which ends here tonight, has been a golden opportunity for a bevy of unemployed royals to gather at one of their favourite watering holes — and for an unexpected olive branch from Libya to King Hassan II, the shrewd Moroccan monarch.

Heads of fashion houses patronised by His Majesty mingled with less famous scions of former royal houses of Europe and the Middle East at a public event which owed much to Hollywood and little to Islam.

What has given the 350-year-old Alauite dynasty in Morocco its staying power has been the claim to direct descent from the prophet Mohammed. King Hassan is thus venerated as both a temporal and a spiritual ruler.

But the elaborate pageantry staged in Marrakesh on the occasion of the marriage of Princess Lalla Amina, the king's daughter, to a wealthy commoner had some experts shaking their heads in doubt over its authenticity.

As tribal horsemen galloped up and down the dusty esplanade, firing into the air, gilded visitors with well-fed tans soaked up the hot sun at the luxurious La Mamounia Hotel nearby.

Heading the list of the king's friends were ex-King Simeon of Bulgaria and Prince Fouad, son of the late King Farouk of Egypt.

Of more practical significance for a country whose foreign reserves are virtually non-existent, flanking King Hassan on the royal dais at Saturday's opening ceremonies were the oil potentates: Sheikh Zayid bin Nahayyan, President of the United Arab Emirates, and Prince Abdullah al-Faisal, the Saudi Minister.

The surprise of the show was the unexpected presence on Saturday of a personal representative of Libya's Colonel Muammar Gaddafi. The Libyan leader had taken umbrage when King Hassan suddenly reversed his earlier agreement to merge their two countries in pan-Arab unity. However, in a gesture of goodwill, Col Gaddafi despatched his daughter, Aisha, to the celebrations in Marrakesh.

Léotard acts to avert French cabinet crisis

BY DAVID HOUSEGO IN PARIS

A CABINET crisis in France was averted yesterday after Mr François Léotard, the Minister of Culture and leader of the free market Parti Républicain, announced to his party Congress that he would not resign his post as minister.

The move was welcomed by Mr Jacques Chirac, the French Prime Minister, who said that the cohesion of the Government should come before "partisan preoccupations" and premature electioneering.

The Prime Minister had earlier last week called on Mr Léotard to choose between his functions as minister and party leader in a public statement that provoked a five-day conflict within the Government.

Although the emphasis yesterday was on conciliation, the quarrel is seen to have weakened the Government by leaving a legacy of distrust between Mr Chirac's neo-Gaullist RPR party and the other members of the coalition, including the Parti Républicain.

Indicative of this distrust is the fact that Mr Jacques Toubon, Secretary General of the RPR, was asked by Mr Léotard and his colleagues not to attend the 10th Congress of the party over the weekend.

In his speech, Mr Léotard declared both his intention to remain a minister and to hold on to his freedom of speech as party leader. Mr Chirac claimed he had over-



Mr François Léotard: rebuffed

stepped the latter by announcing that he would not support the Prime Minister in the first round of the presidential election in May and by derogatory remarks about the RPR.

Mr Léotard said he would not take responsibility for provoking a crisis in the Government that would rebound to the favour of President François Mitterrand. He also made clear he would not allow his party to be silenced or reduced to a subservient role in the coalition.

Ministerial colleagues said that as late as Thursday Mr Léotard was still determined to resign in protest at the public rebuke delivered him by Mr Chirac.

Irish hospital services hit by doctors' strike

BY HUGH CARNAGY IN DUBLIN

A STRIKE by junior hospital doctors has severely disrupted hospital services in Ireland in the second public service strike since the Fianna Fáil Government since it introduced an austere, cost-cutting budget in March.

About half the country's 1,800 junior doctors started indefinite strike action on Saturday, affecting about 30 out of 80 hospitals, to protest against plans to cut about 200

jobs under a programme of spending cuts in the health service.

Consultants provided emergency cover but routine admissions and non-essential outpatient services were cancelled in many hospitals.

Dr Rory O'Hanlon, the Health Minister, called for an immediate return to work. The doctors say they are not against the spending cuts but they should not be made through cuts in medical staff.

Drive to deregulate US banking stepped up

By James Buckan in New York

THE US Administration favours letting industrial companies acquire commercial banks, as part of a drive to improve the competitiveness of the US banking system.

This was sketched in a newspaper interview yesterday by Mr George Gould, a Treasury Under-Secretary. It is one of a host of current ideas to ease restrictions on the US banking industry and open access to new sources of capital.

These initiatives, which have been stalled in Congress, are widely expected to receive new impetus through the nomination last week of Mr Alan Greenspan, a proponent of bank deregulation, as chairman of the Federal Reserve Board.

In an interview with the New York Times yesterday, Mr Gould said he was in favour of creating five to 10 very large banks that could match in size the biggest ones in Japan and western Europe. "People are going to have to accept that some big American financial institutions will need more capital to be competitive," he said.

Commercial bankers complain that legislative hindrances have destroyed the dominance of US financial institutions, so that only Citicorp and BankAmerica are now among the largest two dozen banks. Regulators have also been concerned that restrictions on banking have led to a deterioration in the quality of their loans.

The main restrictions arise from the Glass-Steagall Act, which keeps banks out of the securities business, and the Bank Holding Company Act, which bars non-banks from owning banks. Inter-state banking is restricted by many laws at state level.

A Senate Bill to allow the expansion of the commercial banks into underwriting securities was recently shelved for the year. However, the pressure for deregulation is expected to increase with Mr Greenspan succeeding Mr Paul Volcker, who was sceptical about changes in the law and opposed to bank ownership by non-banks.

Alan Friedman reports from Bolzano on a sideshow to Italy's election

Tensions run high in the Dolomites

ITALY'S general election campaign has witnessed numerous exchanges of insults, but only one region of the country has seen a series of terrorist bombings and shooting attacks.

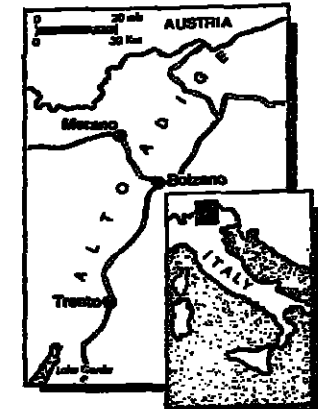
The violence has come to the otherwise bucolic South Tyrol (in Italian Alto Adige) region in the Dolomites, a semi-autonomous and largely German-speaking province which passed from Austrian to Italian rule at the end of the First World War.

The politics of South Tyrol are made of extremes, with the majority of the German-speaking population supporting the regional government headed by the Sued Tirol Volkspartei (SVP), a German ethnic party which has 63 per cent of the local vote as well as three MPs and three senators in the Rome parliament.

The strongest Italian party, meanwhile, is the neo-fascist MSI, which is the biggest party in the capital of Bolzano with 22 per cent of the vote. Some 270,000 of the South Tyrol population of 480,000 are German-speakers, and besides the Italians there is also the Ladin community, the ethnic group similar to the Romansch in Switzerland, which accounts for 5 per cent of the region's population.

The Italian South Tyrol is not like the Flanders in Belgium or other examples of Europe's troubled linguistic enclaves. Here the most extreme German separatists still want to be re-annexed by Austria or to form the "Free State of South Tyrol".

Here the leader of the Italian neo-fascists, Mr Andrea Mitolo, speaks of Mussolini as "a great man". One first becomes aware of the cultural divide as the train glides through the lush valleys north of Trento, along the



fabulous passes of the Dolomites. As the hand-tender countryside becomes ever more spectacular the architecture of the houses perched up in the foothills changes from rustic northern Italian to a decidedly more Alpine form.

Bolzano, a town of low-pitched Tyrolean arcades and Gothic structures, certainly has the character of a German rather than Italian town.

In the 1920s and 1930s Mussolini acted to Italianise South Tyrol by abolishing German as the official language and building up industry with Italian-speaking immigrants, mainly from the south.

In 1946 Alcide de Gaspari, the first Prime Minister of the Italian republic, who began his political career as a deputy in the Vienna parliament, agreed in a treaty to give the German-speakers back their rights.

It took until 1968 — after a decade of terrorist bombings and assassinations by German separatists — for Rome to agree a package of autonomy measures, including strict apportionment of public sector jobs between the linguistic groups.

The leader of the SVP, the charismatic 73-year-old Dr Silvius Magnago, who has been president of the Alto Adige assembly since 1960, insists that not enough has been done for his people.

His neo-fascists say too much has been done and that the Italians have become second-class citizens. Dr Magnago, who lost a leg while serving in Hitler's army at the Russian front, says: "The Craxi government did nothing for us, and so there will always be people who feel the democratic process accomplishes nothing and thus choose violence."

Mr Hans Stieler, the presi-

dent of the extremist German-speaking faction, the Heimatsbund, protests that "these attacks have nothing to do with us."

Mr Stieler, who served three years in prison after his conviction in 1957 for blowing up a railway line and a hydro-electric plant, says last week's terrorism was designed to help the MSI vote and "to stop us being awarded our just right to self-determination under the UN charter."

The 61-year-old Mr Stieler, in common with more moderate local politicians and officials interviewed, spoke openly of the possibility that the Italian intelligence services may have been involved in last week's bombings.

This is not as far-fetched as it may sound. Italian courts have investigated several cases of far-right terrorists being supported indirectly by members of Rome's secret services. Indeed it is remarkable that in this tiny region the Italian state has been unable to root out the terrorists, who must be locals because of their knowledge of the terrain.

In the nearby village of Lana, said to be a den of German separatists, Mayor Franz Loesch claims: "The secret services want to reinforce the nationalist Italian position in the region." He suggests that Rome "should investigate its own security forces."

And so, while German tourists wander about the foothills of the Dolomites, the general election campaign here has become a super-charged contest between the German and Italian ethnic communities. In this strange and beautiful corner of central Europe traditional Italian parties such as the Christian Democrats or Socialists are simply irrelevant.

Long haul likely for Brazil's debt negotiations

BY PATRICK BLUM IN VIENNA

NEGOTIATIONS between Brazil and its leading bank creditors on a new financial package for the country will "take months rather than weeks," Mr Robert Frick, an executive director of BankAmerica corporation, said in Vienna.

Mr Frick described as a "non-event" reports that Brazil was offering to pay back half its due interest in return for the refinancing of the re-

maining half. The key to solving Brazil's debt problem was "not what was said to the press a few days ago, but what they (the Brazilian Government) actually do. They have to put forward a plan," he said.

The Brazilian economy had to be set right to make it possible for the country to repay its debts, he argued. Transferring some of the debt into equity "was part of the solution and it ought to be done."

Brazil suspended payments on \$88bn (\$42bn) of medium and long-term debt to banks in February following a sharp deterioration in its trade position and a gathering crisis at home.

Mr Frick said that his bank had between \$7.5bn and \$7.8bn in outstanding Latin American debt, including \$2.7bn from Brazil.

He said that the bank con-

sidered its \$2.2bn reserves, representing 3.1 per cent of total loans, as adequate, but left open the possibility that these may be raised shortly in response to similar moves by competitor banks.

"We are re-evaluating (the position) right now and I guess that in the next week or two we will come to a conclusion either that the reserves are correct or that they need adjusting," he said.

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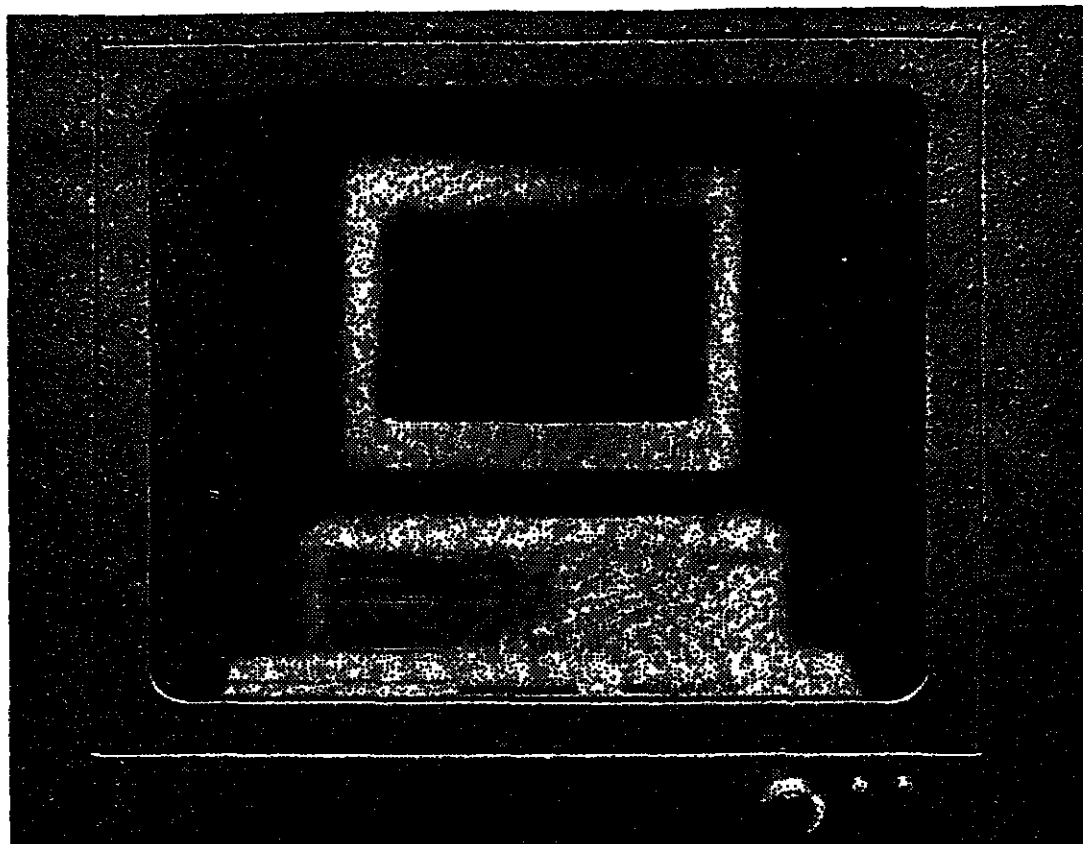
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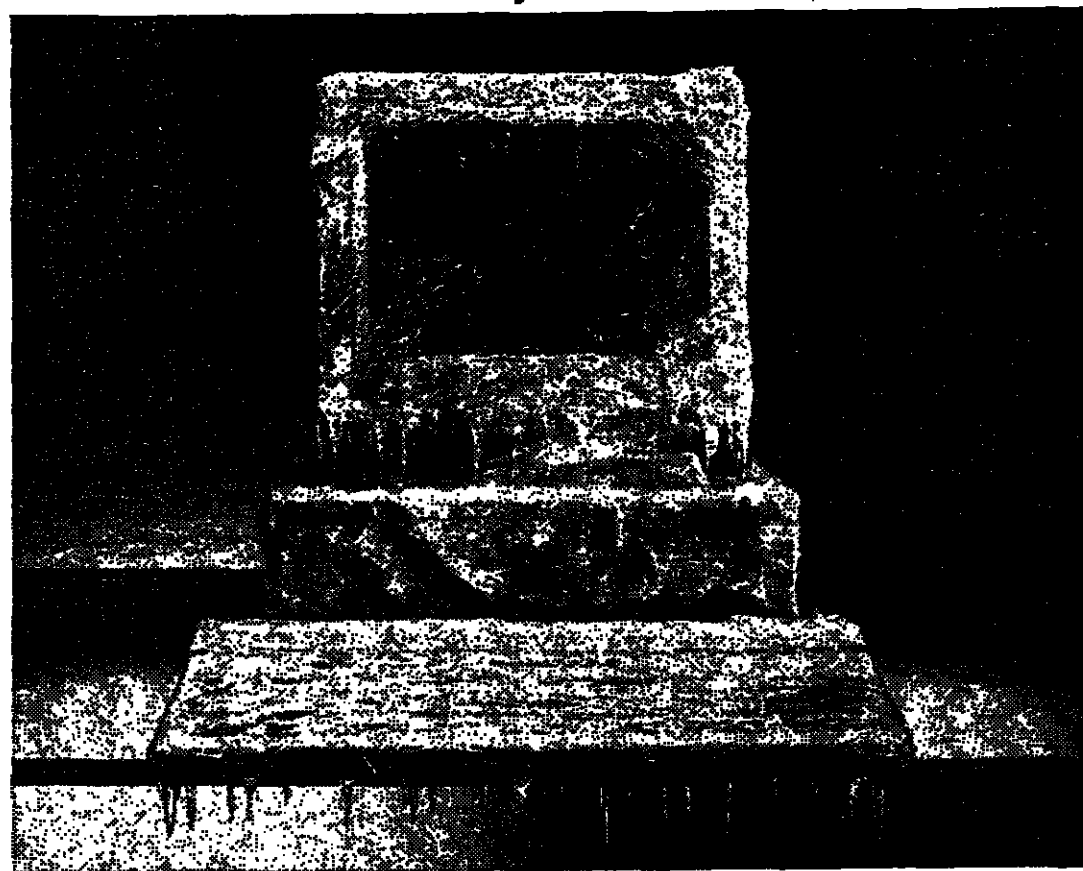
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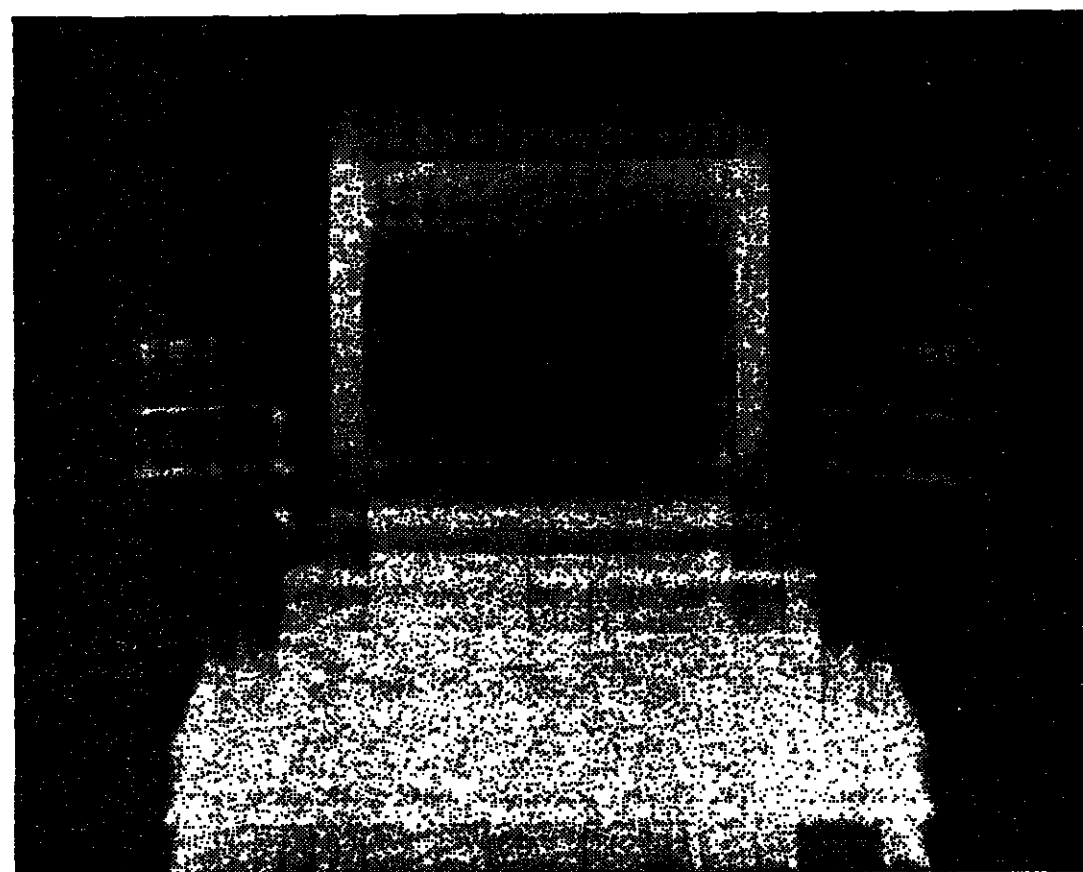
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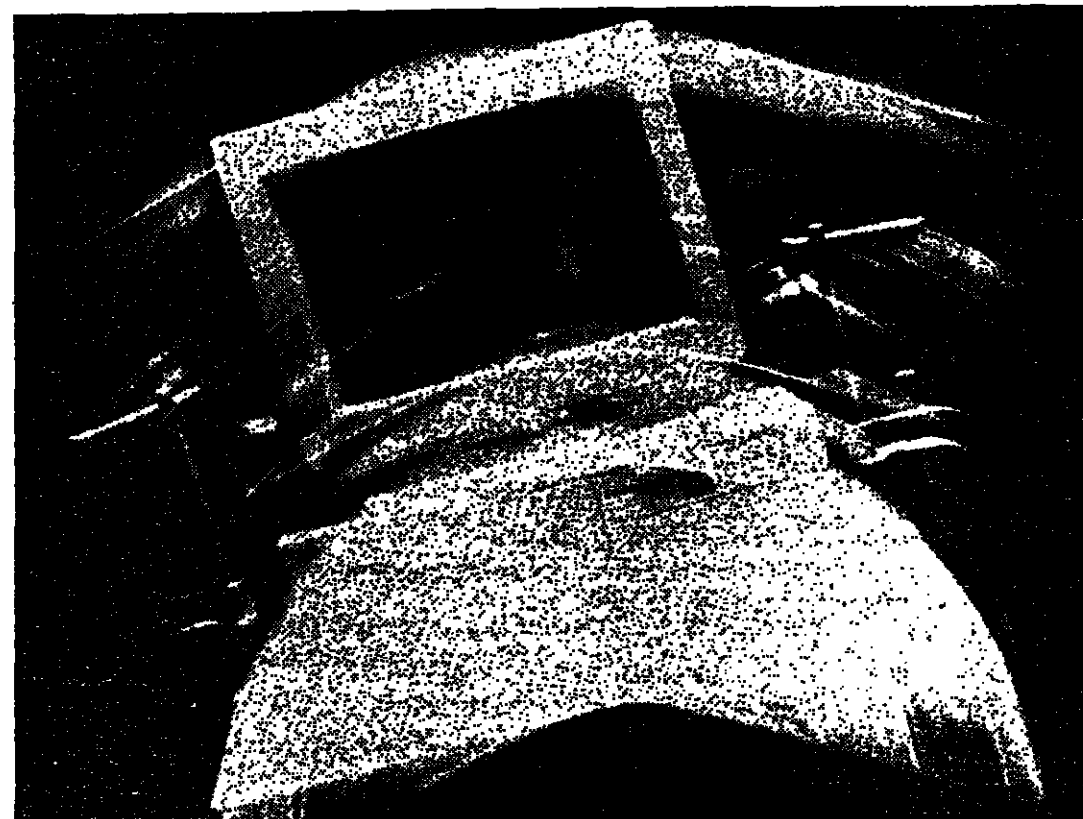
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OVERSEAS NEWS

Fiji's Indians urged to further reconstruction

By Chris Sherwell in Sydney

Fiji's Governor General, Ratu Sir Penaia Ganilau, now ruling the island state under emergency rule after last month's ousting of the elected government, has appealed to leaders of the Indian community to help him in reconstruction.

The appeal, made yesterday in a nationwide radio address, came as Dr Timoci Bavadra, the deposed Prime Minister, and two ministers in his former Cabinet, began a visit to London to lobby for British support.

Because of Thursday's election in the UK, the timing of their visit could not be more difficult. The delegation will be unlikely to see ministers in Mrs Thatcher's government, although Foreign Office officials will be available.

They are due to see Sir William Heseltine, the Queen's private secretary, today. They will not be able to see the Queen as constitutional procedures in these circumstances mean that she takes advice from the Governor General rather than politicians.

They are concerned not only by what they see as their illegal ousting from office and the Governor General's decision to dissolve parliament, but also by plans to change the constitution to strengthen the rights of indigenous Fijians at the expense of the ethnic Indian community.

In their view such changes cannot be implemented without parliament's backing. They also take seriously the threat by Col Rabuka, the army officer who led the coup and now heads the military, to push for a Republic if the changes are not introduced.

In his radio address, Sir Penaia was said to have appealed to the nation to put aside the "politics of fear and



Dr Timoci Bavadra: in London

racial aggression," and give him support to return the country to democracy.

Reasserting that he was in sole executive control of the country, he acknowledged that Fiji's situation remained serious, urged an end to strikes and appealed to sugar workers to start the delayed 1987 harvest.

Last week the Governor General held talks with Dr Bavadra in an apparent attempt to persuade him to participate in the Council of Advisers helping the Governor General to run the country.

In London, Dr Bavadra, who is a Fijian, is accompanied by Mr Jai Jan Reddy, the former Attorney General, and Mr Tupeni Baba, the former Education Minister, both Indians. All three were members of the multi-racial coalition government which won office for the first time at general elections in April.

Australian union move abandoned

By Chris Sherwell

AUSTRALIA'S outgoing Labor Government, seeking to preempt industrial pressure ahead of the July 11 election, has said a controversial provision in its ill-starred industrial relations legislation would be abandoned when the bill is re-introduced.

The commitment, made on Saturday, was the second key policy decision in two days to be announced by Labor as it gears up its election campaign. On Friday it said it would terminate the unpopular two-salary policy which restricts competition on domestic trunk routes.

Both decisions steal ground from the opposition Liberal and National parties and graphically illustrate Labor's continuing pragmatism. The Liberals had already indicated they would deregulate the airways and radically reform industrial relations.

Labor was unexpectedly forced to withdraw its Industrial Relations Bill last month, only two weeks after introducing it in parliament. The bill replaced 33-year legislation which had become the cornerstone of Australian industrial relations.

Its provisions, particularly those eliminating employer access to the common law, provoked a volatile outcry from the business community, which planned a big campaign against it.

Soviet economist seeks price system reforms

By Patrick Cockburn in Moscow

THE Soviet Union must completely change the way its price system works if economic reform is to be discussed by a key meeting of the Communist Party Central Committee later this month are to have any effect according to senior Soviet economists.

In the run up to the meeting there has been a noticeable sharpening of the debate within the Soviet press on the degree to which control of the economy should be decentralised and economic management determined by the market rather than the plan.

Without change in the price

system "all other reforms are useless," according to Mr Alexander Levikov, head of the Economics Department at the weekly Literaturnaya Gazeta, and an influential advocate of radical economic reform in the Soviet Union.

The argument of the reformers is that plans to decentralise management by making Soviet enterprises self-financing and dependent on profits are doomed unless the prices charged for the goods they produce and consume reflect demand and are largely determined by contract negotiated directly between supplier

and producer.

Mr Levikov said in an interview that a half-way reform could be dangerous. Introduction of a new system of price formation without abolishing the old would necessarily produce a clash between allocation by the State Committee for Supply (Gosnab) and the development of wholesale trade between enterprises.

The same points are made by Mr Stepan Sitaryan, deputy head of a special commission in charge of economic reform, writing in the influential party political monthly magazine Kommunist. He says that the

economy cannot be divided up into different zones with some administered from the centre and others managed through commercial relations between autonomous enterprises.

The 307-member Central Committee, to which all the most senior Soviet officials belong, is to meet in Moscow later this month for what is considered a crucial meeting on economic reform. Despite calls by Mr Mikhail Gorbachev, the Soviet leader, for radical economic reorganisation Soviet economists say economic management has changed little since he came to power in 1985.

A new law allowing individual labour introduced on May 1 and decrees legalising certain types of co-operative ventures are only having a limited impact because they are largely confined to second jobs. Mr Levikov says that in East Germany three-quarters of services are provided by self-employed or members of co-operatives working full time.

He said that a small private sector stood its best chance of success in the Baltic Republics and the Caucasus where there is a tradition of self-employment and small workshops.

Egypt raises private investment target

By Tony Walker in Cairo

EGYPT'S Prime Minister has pledged that private sector investment will reach about half new investment under the country's second five-year plan starting July 1.

Dr Atef Sedki told parliament at the weekend that Egypt aimed during the 1987-1992 plan substantially to increase private sector investment from about 23 per cent of total investment of \$28.8bn in the old plan.

Dr Sedki said the Government's main aim was to increase local production and lessen dependence on foreign loans and imports.

Egypt also hopes that by

giving a boost to the private sector it will help create employment for increasing numbers of unemployed young people.

It is estimated that public sector industry, which accounts for about 70 per cent of output, made losses totalling E£230m (\$38m) last year.

Egypt plans total investment in its five-year plan of E£46.5bn compared with E£38.8bn in the old plan.

Egypt's trade deficit in 1985-1986 reached \$8.1bn. It is running a balance of payments deficit this year of about \$3bn. Dr Sedki made an apparent

reference in his speech to recent worrying incidents of violence on the streets of Cairo. Gunmen have tried to murder a former interior minister, American officials and a prominent newspaper editor in the past several weeks.

French officials have confirmed the resumption of the delivery of Mirage 2000 aircraft for Egypt's air force.

This follows a rescheduling of some \$120m of Egypt's government guaranteed debt through the Paris Club of Western creditor nations. Egypt's military debt to France is about \$2bn.

Canada to buy N-subs

By Bernard Simon in Toronto

CANADA plans to buy up to a dozen nuclear-powered submarines, and almost to double its troop reserves, as part of the most ambitious modernisation of the country's armed forces since 1945.

A long-awaited government white paper, published at the weekend, pledges to maintain growth in defence spending at a minimum of 2 per cent a year in real terms over the next 15 years, resulting in total outlays of at least C\$18.5bn (\$23.5bn).

The paper, the first detailed outline of defence policy in 16 years, stems from a commitment by the Progressive Conservative Government, when it took office in September 1984,

to review and strengthen the country's military resources.

Mr Perrin Beatty, Defence Minister, said the new submarines will be armed with conventional weapons and used mainly for Arctic patrols. British and French ships are the front-runners for the submarine order, which is expected to be worth at least C\$7bn.

Also, a fixed surveillance system will be installed under the Arctic ice.

The white paper also proposes to cancel Canada's "unsustainable" commitment in Nato to deploy an army brigade and two fighter squadrons in Norway during hostilities.

UK-Iran conflict eases

By Andrew Gowers, Middle East Editor

THE ROW between Britain and Iran over the abduction of a British diplomat in Tehran appeared to be receding yesterday after Iran ordered the expulsion of five British diplomats from its capital.

Mr Edward Chaplin, the British first secretary who was beaten up by Revolutionary Guards 10 days ago and held for 24 hours, is one of the five and is due back in London today.

The Iranian authorities have apparently shelved plans to bring charges against him. Mr Ahmad Ghasseml, the Iranian consular official whose arrest in Manchester on shoplifting charges last month apparently sparked off the affair, left Britain at the weekend.

Iran's decision, announced on Saturday, was taken in retaliation for the British Government's closure of the Iranian consulate-general in Manchester and expulsion of five Iranian consular officials.

The Foreign Office, which warned Iran last week against any retaliation, immediately attacked the move as "unjustified and unacceptable". Officials pointed out that it leaves Iran with a full complement of 19 accredited diplomats in its London embassy, while Britain now has a severely reduced presence under the Swedish flag in Tehran.

Privately, the Government seemed relieved that Iran did not react more harshly to its action. "Our first priority is to see the conclusion of the current wave of expulsions," said one official yesterday. "There is no real pressure for us to rush into producing a reaction to this latest Iranian move". Allegations at the weekend by Mr Denis Healey, the Labour foreign affairs spokesman, that the cooling of Iranian and British tempers reflected a deal between the two governments were vigorously denied by the Foreign Office.

Sihanouk denies negotiation

Prince Norodom Sihanouk has denied that his decision to resign as leader of the Kampuchean Resistance Coalition was made in order to negotiate with Vietnamese or the Kampuchean governments, AP reports from Bangkok. But he left the door open to such contacts.

"I have not had and I do not have any contact with the people from Hanoi or Phnom Penh or Moscow and I do not have any plan to establish any contact whatsoever," Prince Sihanouk said in a May 29 telegram to his son and representative in Bangkok, Prince Norodom Ranariddh.

But he added, "If one day a person from the opposite camp would like to come to greet me, I shall not fail to let the whole world know."

Burma rebel HQ falls

Burmese troops captured the jungle headquarters of Kachin insurgents in the mountainous northeast Burma near the Chinese border on May 29, the Burmese Government claimed late on Friday, Chit Tun reports from Rangoon.

The Government said troops began the offensive against the Kachin Independence Army, the fighting wing of the underground Kachin Independence Organisation, on May 22 and had had 35 encounters.

Kuwaitis condemned

Six Kuwaitis were sentenced to death by the State Security Court on Saturday for sabotaging vital oil installations and plotting against the Gulf Arab emirate, Reuters reports. Four of the 16 Kuwaitis on trial, including two sentenced to hang, are still at large. Diplomats said names of the accused, men aged between 19 and 36, indicated most were of Iranian origin.

Turks vote for mayors

More than 100,000 people voted for mayors in 84 centres across Turkey yesterday in what will amount to a test of popularity for Prime Minister Turgut Ozal's ruling Motherland Party, Reuters reports from Ankara. There are about 300 candidates and political analysts said its outcome will determine whether Mr Ozal calls an early general election—not due until November 1988.

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SOCIÉTÉ GÉNÉRALE

OVERSEAS NEWS

US to press for radical reform of agricultural trade

BY PETER MONTAGNON, WORLD TRADE EDITOR

THE US will next month table sweeping proposals for the reform of world agriculture trade at the Geneva talks on multilateral trade liberalisation being held now at General Agreement on Tariffs and Trade.

The proposals, due to be tabled on July 6, will emphasise the need to shift from production and export subsidies to direct income support for farmers.

Officials at the US Trade Representative's Office in Washington said yesterday the proposals are still being drafted and their detailed substance will not be known until after the Venice Summit of industrial country leaders due to get under way this weekend.

However, following the recent Ministerial Declaration on agricultural reforms by the Organisation of Economic Co-operation and Development,

the US is more anxious than ever to press for speedy and practical commitment by its trading partners to radical reform of world agriculture.

Officials take the view that there is now a consensus around the world that farm subsidies hurt both consumers and producers because they lead to overproduction at artificially inflated prices.

A productive approach to farm reform negotiations should take this point into account at the outset, officials argue, rather than allowing talks to develop in a piecemeal way which is obscured by the special interests which dominate farm politics in many countries around the world.

Though reform would certainly be a lengthy process, it is desirable to make a basic decision now to proceed with reform, they argue.

William Dawkins outlines the dilemmas facing Brussels in the battle to reduce capacity

European steel cuts test EC's mettle

EUROFER, the group of major EEC steel producers, has abandoned its effort to find further voluntary production cuts because the issue has become too hot for its members to handle with official backing.

The nearly 15.5m tonnes of capacity reductions so far agreed by the steelmakers would come mainly from long products like wire rod or merchant bars, manufactured in small mills that are relatively easy to close. That is a long way short of the 30m tonnes of cutbacks which the European Commission believes are necessary.

However, any more sacrifices would have to come from hot-rolled flat products, where the surplus is heaviest but hardest to close because it tends to be in big integrated mills, frequently publicly owned and sited in areas of relatively high unemployment in France, West Germany and Italy.

"We have moved on to a political dimension," explains a Eurofer official. In that sense, Eurofer's abortive scheme has given member states a convenient excuse to defer politically uncomfortable

decisions about whether or not to change the quota system that supports prices and helps to keep inefficient steel companies alive.

"The steel producers are not the main villains. Governments have been fuelling this too," says Mr John Safford, director of the British Iron and Steel Consumers' Council.

It is now up to the Commission to produce fresh plans for the future of EC steel. But what chance does it have of succeeding where Eurofer failed?

It now controls about 60 per cent of EC steelmaking capacity, having scrapped quotas in the past two years for concrete reinforcing bars, galvanised sheet and coated sheet-products where demand is comparatively strong.

Commission officials are committed to finalising their plan by the middle of next month, in plenty of time for member states to mull it over before the next meeting of EC industry ministers on September 21.

The scheme is likely to suggest that controls continue for possibly three years for the most politically sensitive sectors—hot-rolled flat products and heavy sections—and that quotas

should be ended for the most buoyant products, wire rod and merchant bars.

That will not please the Netherlands, which wants to scrap all quotas fast, nor will it satisfy the UK, because any attempt to privatise British Steel would be complicated by the continued existence of EC output controls.

Meanwhile, West Germany and Luxembourg want to keep quotas for long products because some of their biggest mills depend on them, while Greece, Italy and Ireland would be happier to see quotas generally untouched. That leaves France and Belgium as the only steel producers likely to accept the scheme.

The plan will also suggest simplifications to the system of allocating production quotas to individual companies, a move which will be widely welcomed, judging by the record 35 complaints against Commission quota decisions now before the European Court of Justice.

Most problematic, however, will be how to encourage more closures beyond what Eurofer has already come up with.

"The problem is that the last aid code dealt with what

you might call the industry's spare parts. Now we are talking about major installations," says a senior Commission official.

Other options, outlined in a letter from Industry Commissioner Narjes to the EC's 12 industry ministers, include a closure fund made up from contributions from the steel companies themselves. It is unlikely that companies which have already cut back heavily will relish the thought of paying to help less efficient competitors follow suit.

Mr Narjes has also mooted contributions from the coal and steel budget or even from the EC's general budget, proposals which will pose serious practical problems at a time when the Community's finances are in crisis.

However, the Commission feels it has little choice, despite UK and Dutch arguments that a quick return to a free market is the best way to encourage more restructuring. "We have to find a way," says one official, "of getting closures at a deeper level than Eurofer has been able to achieve."

Minister fired over Chinese forest fire

By Robert Thomson in Peking

THE SPREAD of China's worst forest fire in recorded history has been blamed on bureaucratic bungling, and the Government has sacked Mr Yang Zhong, the Minister for Forestry, for dereliction of duty.

Northern China has been hit by a series of forest fires in recent weeks, the worst of which left at least 200 people dead, razed four towns, made 50,000 people homeless, and destroyed 700,000 hectares of forest. The last of the fires was apparently extinguished late last week after rain fell in the region.

A meeting of the ruling State Council on Saturday held Yang and his ministry responsible for the largest blaze, and strongly criticised him for having not written a self-criticism—the Chinese way of admitting fault and seeking the party's forgiveness—until prompted by senior officials.

Yang, 55, who had his character savaged yesterday by the Chinese media, was also criticised for not having gone to the scene of the fire, in Heilongjiang province, near the Soviet border. Other sackings could follow, as the State Council announced an investigation into the ministry and the fire-fighting command.

Diplomats suggest that Yang may be a victim of military dissatisfaction with the Government handling the fire. Many of the 42,000 fire-fighters were soldiers and the military has been loudly praised for its gallantry during the disaster.

Forestry officials have already confessed that fire-fighters were hindered by primitive equipment, often nothing more than a branch or water-soaked clothes, and that the building of fire-breaks was badly handled. But the Government is yet to admit that it made a mistake by refusing on-the-ground assistance from other countries.

Five men have been arrested for accidentally starting fires in Heilongjiang. They have been accused of carelessly discarding cigarette butts, while another two men are said to have started blazes through recklessly handling chain-saws.

The Government has not revealed what will be done with the five charged men, but, given China's record of severe punishment in negligence cases and the damage caused by the blazes, they could well be shot.

SHIPPING REPORT

Panamax Gulf-Japan dry cargo rates fall sharply

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

OWNERS OF dry cargo tonnage are likely to experience an anxious few weeks following a sharp fall in rates for the prime Panamax trade from the Gulf of Mexico to Japan.

Brokers said rates had fallen from a high of around \$18.25 per ton to around \$16, with a low of \$15 reported for a vessel fixed for mid-June.

The fall in rates encouraged charterers to try to use the midsummer period to reverse the recent rise in rates in other sectors of the dry cargo market. There appears to have been little change outside the Panamax Gulf/Japan trade so far, however. Panamax vessels are the largest vessels able to traverse the Panama Canal.

In the tanker market, brokers reported a very low level of activity, particularly in the Middle East, though freight

rates appeared to be holding steady.

Gabraith's, the London brokers, reported only two fixtures for large vessels: 200,000 tons to Taiwan at Worldscale 51 and 225,000 tons to Japan at Worldscale 42.5. The clean market remained relatively healthy: a leading US oil company was said to have arranged for 30,000 tons of leaded gasoline to be moved from Bahrain to Singapore at Worldscale 250—a substantial improvement on previous levels.

Japanese charterers were also reported to have been paid Worldscale 140 for a 50,000 tons movement from the Middle East Gulf to Japan; and Frota, the Brazilian state company, booked at least six vessels for June loading from terminals in Brazil to destinations including the US and West Africa.

Amtrak awards rail equipment order to Asea

By Sara Webb in Stockholm

ASEA, the Swedish electrical engineering group, has won an order worth SKr 95m (\$9m) to supply technology and electrical equipment for seven high-speed electric locomotives in a contract from Amtrak.

Amtrak operates most of the inter-city passenger trains in the US and has ordered the seven new locomotives for the Metroliner service between Washington and New York. The locomotives can travel at speeds of up to 125 mph.

Asea and the electro-motive division of General Motors in Illinois have co-operated in the development and manufacture of the locomotives.

Under a licence agreement, Asea is responsible for the design work and electrical parts while General Motors' electro-motive division is responsible for the mechanical parts.

Nigerians mourn elder statesman

BY PATRICK SMITH IN LAGOS

MORE THAN 250,000 Nigerians flocked to the southern town of Ikene on Saturday for the funeral of Chief Obafemi Awolowo, former premier of the Western Region and thrice-deceased candidate for the country's presidency.

Since 78-year-old Awolowo died on May 9, Nigerians, encouraged by vigorous newspaper and television coverage, have joined in a month of national mourning for one of the country's most distinguished elder statesmen.

Saturation television coverage of the funeral service and procession, which lasted nearly eight hours, was watched by tens of millions of Nigerians. The main markets in Lagos and in the west of the country were closed and streets took on a carnival-like atmosphere with stallholders giving away food and drink and transport companies offering free rides to Awolowo's birthplace at Ikene.

Gen Yakubu Gowon, former president and commander in chief of the armed forces dur-

ing the country's three-year civil war, flew in from Britain the day before the funeral to pay tribute to Chief Awolowo who had been his finance commissioner in two successive administrations.

The present military government under President Ibrahim Babangida sent a 16-man delegation led by Rear Admiral Augustus Aikhom, Chief of General Staff, to attend what local newspapers described as "Awo's last political rally."

Chief Awolowo whose own political career had been chequered—he spent three years in jail in 1960s on charges of treasonable felony—was known to be particularly sympathetic to the present government, describing President Babangida as "a young man who is doing his best under very difficult circumstances."

The sometimes tearful remembrances of Chief Awolowo have not stopped politicians—many of whom were his sworn foes at the hustings—from seeking to capitalise on his death which they believe will

mark a re-alignment of political forces within the country as the military government prepares for a return to civil rule scheduled in 1990.

Chief Awolowo was one of three leading nationalist politicians—the other two being Dr Nnamdi Azikiwe and the late Sir Ahmadu Bello who dominated Nigerian politics immediately before and after independence in 1960. But all three were constrained by their dependence on a regional base.

The new generation of political aspirants are trying to form wider alliances across the 19 states of the Nigerian federation.

Meanwhile, the Government appears determined not to be hurried into starting the process for the return to civilian rule. Nigerians are still eagerly awaiting government reaction to a report investigating the best form of political system for the country to succeed the former civilian system of government overthrown by the military coup in December 1983.

Taiwan to change law on rubber cheques

By Robert King in Taipei

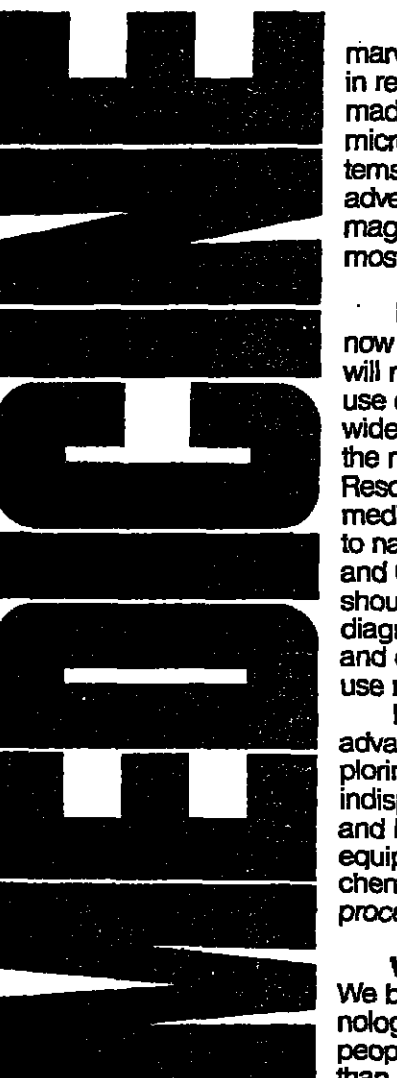
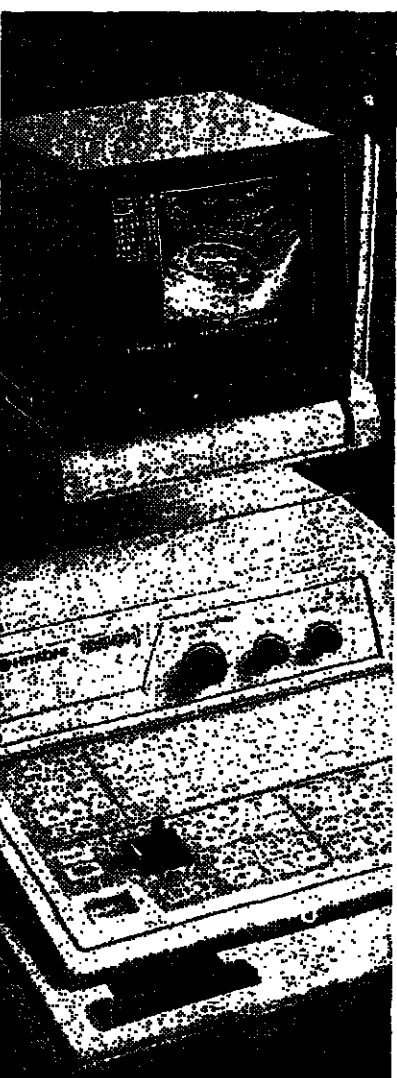
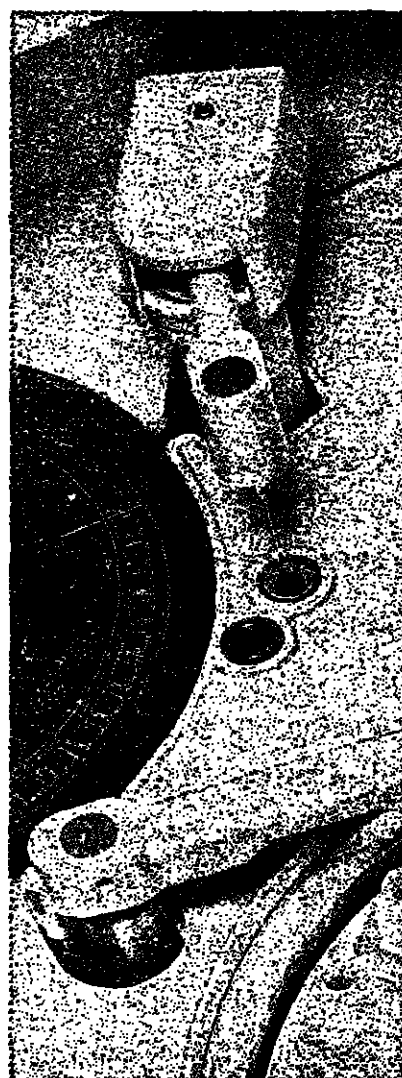
TENS OF thousands of Taiwanese cheque-bouncers, may be freed from fear of imprisonment soon.

The Government has asked parliament to pass a measure that will, in effect, decriminalise bad cheque writing, thus freeing more than 1,400 now in jail and removing another 31,000 from the wanted lists.

Until January 1, people whose cheques bounced could be automatically charged under the criminal code—whether the bad cheque stemmed from oversight or intent. But, no matter how severe the penalties, the practice continued.

The Taiwanese tend to view cheques as instruments of credit, rather than of payment. The issuance of cheques dated months in the future had been for years a common form of collateral for private loans—on the assumption that the criminal penalties would ensure repayment.

Medicine should be more than the ability to treat or cure. The best care and treatment come from precise diagnosis.



Medical electronics have brought marvelous progress to diagnostic medicine in recent years. Great strides have been made in biochemical analysis, electron microscopes and medical information systems. Another shining example is the advent of imaging equipment which uses magnetic resonance to display even the most subtle changes in body chemistry.

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There was a time when all you could smell as you went through Consett in County Durham was the steel works.

Now instead of a dank, dark reminder of the smelter, the passer-by gets an incongruous whiff of tortilla chips.

The great concrete cooling towers have been demolished and replaced by a brand new industrial estate, one of whose inhabitants is County Durham's most fashionable export - Phileas Fogg snacks. From Mignons Morceaux to Corn Crackers and those insistent Tortilla Chips.

Consett has become the centre of what one industry expert has called "the most exciting new departure in the British snack market for decades."

It started simply enough: four men who wanted to work in the North-East of England believed they'd found a gap in the market. Derwent Valley Foods, as they rather poetically called their company, came into existence as the steel works closed down.

"The idea really was simple," explains Roger McKechnie, Derwent Valley's Chairman and Managing Director. "We single-mindedly set out to chase two things - innovation and quality."

"We didn't want to compete with the big boys head

on, we wanted to create new markets for specific target groups. People were travelling abroad more, they were drinking more wine, eating more exotic foods, and yet there was no snack for them," says the company's co-founder and Marketing Director Ray McGhee.

Roger McKechnie brought back tortilla chips from a trip to the United States. "They were the most awful things we'd tasted in our lives; but we thought we could anglicise them." They decided to try the same trick with croutons, "which we turned into Mignons Morceaux."

"We had the products, and we had a concept - that they were cosmopolitan snacks - but we didn't have a name," Ray McGhee remembers. "So we wrote down a whole list of possibilities."

"Somebody put down Phileas Fogg, somebody wrote down Marco Polo - but I can tell you Vasco da Gama didn't get many votes." Eventually Phileas Fogg emerged as favourite. (Jules Verne buffs will know that in some versions of *Around The World In 80 Days* the name is spelt Phineas. McKechnie's copy has the original French spelling.)

In September 1982 they went into production. Four months later they were almost bankrupt.

"We'd developed all these things and we thought we'd done it right. We'd got all these promises from the

supermarket chains, and the multiples. But nothing had really happened. We were just waiting - and getting desperate."

To console themselves they spent what was almost their last £5,000 on a stand at the International Food and Drink Exhibition at Olympia in London, in February 1983.

"That was the turning point. Suddenly we had hundreds and hundreds of enquiries. Even Marks and Spencer turned up to tell us how much they liked them. We didn't look back."

By 1986 Phileas Fogg was turning over £7m and employing 100 people. He had found his way into supermarkets and delicatessens, brasseries and saloon bars all over Britain.

But he had not started out in life quite so glamorously. In fact, when Derwent Valley Foods started up, its four founders worked in a nissen hut while demolition men dynamited the steel works around them.

"We called it Stalag 17. It was so cramped we only had a wall telephone. We had to queue up to use it." For almost six months they worked in that hut, planning a snack company with the help of £250,000 raised from the local development corporation, the bank and investors in industry.

Three of the four had come from Tudor Foods, not far away in Peterlee, where Roger McKechnie had been Marketing Director and then, briefly, Managing Director. The logical thing for him to do if he wanted promotion was to move to London.

"But I hate, really hate, the Home Counties," he says fiercely. "And I wanted to start up on my own." Using "the tremendous workers in the North East," Derwent Valley Foods was born and raised in Consett.

The four founders still share an office, though it's slightly larger these days, and they still take every major decision together - quickly. "If we're wrong we change; and we don't recriminate," Ray McGhee explains. "We're a very hands-on management. We're always around. We've got our stamp on everything."

One of the decisions that they didn't hesitate over, and took in their earliest days, was to give themselves a Company American Express Card each. "It was a great boon because we were all travelling a lot."

As the company expanded, so Derwent Valley gave Cards to their senior staff as well. "That helped us keep track of things, which was particularly useful when they start travelling abroad for us. American Express have a system for small businesses, which means we didn't have to set one up."

Given his own passion for travel, Mr. Fogg himself would surely have approved.

For more about Derwent Valley Foods, ring 0207 506416. For more about the American Express Company Card and its system for Small Businesses, ring 0800 626171 (toll free).

THE MONDAY PAGE

Give the people what they want



JOHN LLOYD

WE can see fear in the hands of dust across this election campaign. These premonitions, barely sensed, playing little part in the hustling pitch of the major parties, nevertheless

darken the future of any government which smashes the double-edged sword of power on June 11.

The fears are of an economic crisis which might engulf the western world. They surface at every level: among those with power and knowledge, a few of whom are giving voice to fear; among those scrambling for money, who acknowledge that fear is their enemy; and among those who have nothing so that fear is their normal state.

Nothing of this emerges in the Prime Minister's triumphalism, though it will swirl around the debates at the Venice summit today. Some did emerge in the speech given by the Chancellor to the Confederation of British Industry on May 19, when he allowed that "the biggest source of concern about our continued economic success lies in fears that in a number of key respects the world economy may not perform as well as we ourselves are doing...". The force of the remark was, however, lost in the coating of electoral saccharine: and the point was

more crudely driven home by the party political broadcast showing the British bulldog lording it over French poodles and such like.

As for the opposition parties, neither wishes to attract the odium of being seen as the messenger of doom. Mr Roy Hattersley, the shadow Chancellor and Mr John Smith, the trade and industry spokesman, have spent their time targeting Thatcherism for its neglect of investment, training and research and development.

Mr David Steel did devote a speech in Rochdale last Sunday to a warning that there is no way in which Britain can isolate herself from the tempest of monetary instability which threatens the world, adding that "the survival of our democracy (could be) put at risk." Yet that, too, went largely unremarked, and is anyway not

a dominant theme nor likely to become one in the last few days before polling.

But once the campaigning is over, the fears could move centre stage. They have already been well flagged: the US budget and trade deficits (against which the departed Paul Volcker warned); the danger of protectionism and of continuing currency instability — problems which Mr Felix Rohatyn, of Lazard Frères has said will inevitably lead to US, and thus world recession.

At home, we face the aftermath of a manufacturing base still under-invested, under-researched and under-trained; and we face galloping growth (in common with other western countries) in the ranks of the elderly and dependent, and of AIDS victims, which will make it difficult to see how the health and social services

can be wholly safe in anyone's hands.

In a forthcoming book, *Apocalypse 2000*, Mr Peter Jay and Mr Michael Stewart dramatise these often unconnected anxieties and give them solid shape. They position themselves in the first year of the next millennium, looking back on the closing years of this one as a time when democracy was flattered away in fiscal irresponsibility in the US and complacency and stagnation in Western Europe.

It does not matter whether their specific scenario—the rise of a pan-European fascism—will be realised. The important factor is that they reflect and creatively prefigure trends which even bow unadvised and sour the material advances of the many and the extraordinary material luxury of the few.

crepancy between rich and poor is ever more sharply accentuated, and as the assumption of the upwardly mobile becomes more conspicuous because more starkly counterposed with the hopelessness of the immobile, so the question is asked—does greed really work to the benefit of all? Or just to the continuing benefit of the greedy?

Why have we not been able to develop mechanisms which address the plight of those whose skills, or sweat, will never be required again? How is it that we in Britain have consigned 200,000 in all to unemployment in eight years with only the most fragile of recoveries to show for it, and with a pile of victims only barely maintained in civilised existence by it?

These fears will not all turn out to be chimerical. And those which have sub-

stance will certainly not be addressed directly by any puritative government's programme, for the main reason that the scope any British government has for moderating an impending crisis is small. The bulldog is on a tight leash, dwarfed by much larger beasts.

But for that space within our control, and the larger one susceptible to our influence, it now seems inevitable that a move back to what may be termed "neo-collectivism" is not just the best bet but is also the message that is seeping through from the voters.

Their collective fear of sickness and old age, insufficiently protected, points to a need for continued support for a system which, though it may never be able to deliver the doctor people want on the day they want him, still provides basic security. It is true that people want

more responsive social services capable of stimulating and healthy behaviour in the population. But the deep, collective distrust of special interest groups speaks for a governing style which stresses mutual obligation and social integration, a style which is impossible to maintain where it is clearly seen that the most powerful make the least sacrifice to the common good.

For the individual, the group or the nation, the untrammelled expression of self interest—even if undertaken from idealistic motives—has now reached the limits of any usefulness it may have had. The old collectives of class are withering (very slowly). But collective needs and anxieties are not, nor are the range of tasks which can only be tackled collectively. That cannot, in a society like our own, be imposed from above. Nor can it be left to an indifferent market. Individual fears need collective solutions: the next government will be constrained to act on that, if it is not to mortgage our futures beyond hope of repayment.

INTERVIEW

After Confucius

Steve Butler talks to Lee Kuan Yew, Singapore's Prime Minister for 22 years

SITTING in Mr Lee Kuan Yew's reception room, you could easily be forgiven for thinking that you had mistakenly entered the waiting room of a public health clinic.

Tidy chairs along the walls have been partially upholstered in fabrics that do not match the originals. The mustard-coloured carpet is worn and soiled at the entrance room from the shoes of visitors who wandered in out of a tropical downpour.

The Singapore prime minister's public austerity is part of years of effort to cultivate the public image of a clean government where officials do not enjoy extraordinary perks of office. One cannot help but suspect there is another side to this — that with attention rigidly focused on building a prosperous new nation, free from internal and external threat, Mr Lee's interest in his immediate surroundings has taken second place.

It was thus not until tourism began to fall off sharply that Mr Lee's government took any serious interest in preserving the city's rich architectural heritage, although by then it was largely too late. Mr Lee himself is a plain looking man, often appearing in public in an open-necked long sleeve shirt. He must be one of the only heads of government from a prosperous nation who travels on official trips by scheduled, commercial airlines.

The energy and determination with which Mr Lee has

amassed and wielded the powers of his office has made many people wonder whether he really intends to step down when he turns 65 in a year and a half, as he said he will. He is Singapore's only prime minister in nearly 22 years of independence.

Still Mr Lee has started the notions of stepping back. He has let a younger generation of leaders—including very prominently his own son, Mr Lee Kian Seng—seek Singapore's path out of a recession that called into question much of the Government's past economic programme.

"This is probably the most difficult phase of my job as Prime Minister," he says. "It's easier to do things yourself than to allow others to find their own solutions, to express their urges and ethos, and at the same time, remembering that if things go wrong, I'm responsible because I'm still in charge."

The younger ministers have taken Singapore through a remarkable transition, the sort of

change that in most nations could only have been the result of years of political battles and a change of government.

Singapore did it by committee.

Tax rates were slashed, wages controlled, following the guidelines of a joint public/private sector committee headed by the Prime Minister's son.

The Government is now tinkering with a flexible wage scheme and an education policy designed to encourage the formation of private schools—thus introducing possible inequalities of opportunity in a rigid, multi-racial meritocracy. The intended bonus would be students who learn to think independently and creatively. The young minister plans to spend billions of dollars worth of government companies.

All of this under a great deal that the Prime Minister spent years putting together. Is there a contradiction, a change in philosophy?

"I would not consider that to be a contradiction. One

phase of state activism had matured and come to an end. A younger generation, having assessed the situation decides that in the next phase it is more efficient to hand this over to private individuals so that decision making can be more prompt. I don't see the contradiction."

Rather Mr Lee sees himself, and his People's Action Party, as a fount of pragmatism.

"We have only one unalterable principle by which we are measured. Does it work? If it works, it's right. If it doesn't, never mind whether it is a good theory or a bad one."

"Privatisation will work in this phase because we have created a managerial class in the past 20 years. We have educated people. The multi-nationals have come in and inducted them into management. They are now in middle management: some even in top management. When we started, we had to create the managing class. If we lacked that boldness to have tried, we wouldn't have got the industries which we have and wouldn't have got here."

Still, selling off the Government's success stories will not mean the end of Singapore Inc, since the Government has pushed into new ventures in high technology while casting off mainstream industries to the private sector.

"If it comes off then people will say it was right. If it's a few hundred million dollars down the drain and nothing to show for it, they'll say: 'There was a lot of stupid statism. The state wastes a lot of resources.' It's worth trying because the private sector will not try. There are no returns for many years. We've got to seed it. If it succeeds, 15 years down the road, we privatise, and sell it off. Let Glaxo or Beecham take it over."

Not everyone would agree with the Prime Minister that Singapore Inc should turn itself

into a high-tech venture capital corporation now that private markets are becoming more mature. Most in Singapore will admit, though, that on balance Mr Lee and his government have a rather good track record on the economy. Singapore is the second most prosperous nation in Asia, after Japan.

In the political sphere, Mr Lee is rather more harsh on himself. From Singapore's most recent outburst against the foreign press to the aggressive campaign against a political opposition that has no apparent hope of taking power, the government often appears to act as though it is under siege.

Mr Lee admits that the younger generation has a different outlook. They are not "haunted by the spectre of disasters that troubled my generation." "Their generation have not experienced the war, Japanese occupation, Communist insurgency, British handover of independence, the lean years with massive unemployment and negligible growth. They grew up in a world of steady continuing development, result-

PERSONAL FILE

1923 Born, Singapore
1945-46 Singapore and Malaysia during Japanese occupation.
1946-49 Fitzwilliam College Cambridge.
1949-50 Middle Temple, Barrister-at-Law.
1951 Advocate and solicitor in Singapore.
1954 Helped found People's Action Party, holding office of Secretary-General continuously to present.
1955 Elected to Singapore assembly, while still under British rule.
1959 PAP formed government under self-rule. Lee becomes Prime Minister.
1965 Singapore expelled from Malaysian Federation. Lee now Prime Minister of an independent nation within the Commonwealth.

ing in improving social and political conditions." And, no bones about it, nearly 22 years of nation-building in a multi-racial, multi-cultural, multi-lingual society are not enough to provide strong political institutions.

"It's unlike the British which goes back almost uninterrupted to Charles I. The idea of any-



body coming up with a new scheme of government is just preposterous. It's evolution over time.

"We have 21 years, coming on to 22 years. Insofar as it can be strengthened in those 22 years, it has been. How can you speed up history? It's not possible. You can't pressure cook human beings. We're learning right at present to co-exist as one nation, although we are different in race, language, culture, traditions, religions."

Mr Lee is haunted by the ease with which so many of the British-drafted constitutions have been scrapped in former colonies, with the military stepping in overnight.

Singapore has a "lack of ballast, lack of both the cultural and the emotional attachments to values and institutions which allows adjustments to be made within a constitutional framework."

This is one reason why Mr Lee is reluctant to let go, to allow events to take their own

course free from the domineering and paternalistic presence of his People's Action Party.

Beyond this is the delicate squaring off of interests among classes and racial groups in Singapore, where Sri Lanka provides a current terrible example of what happens if things go wrong.

"It is vital for the government never to get trapped into a confrontational relationship with these interest groups, especially the labour unions as in the case of Britain." "You allow them channels. Had we squeezed out union interests would we have succeeded in getting the workers to go along with our industrial policies? There were channels for their views to be heard, and as a result their interests were brought into the equation. Therefore, the result was sweet for them. Their incomes have gone up, 5-6 times in the last 15 years."

The key to all of this, of

course, is a strong, credible leadership, that stands above the fray and is not perceived to favour one or another side. Mr Lee's background as a trade union lawyer has given him sensitivities across a broad spectrum.

It is all terribly Confucian — the virtuous ruler claiming a natural mandate. For over 20 years Mr Lee has provided that sort of leadership.

As Mr Lee contemplates his retirement, everyone is wondering who could replace him and establish the credibility and legitimacy Singapore needs to maintain stability. Mr Lee's son, undoubtedly a capable man, looks the obvious choice.

The Confucian system, however, has a classic flaw — the lack of institutional mechanisms with which to choose a virtuous ruler. Throughout Chinese history, it has felled dynasties even greater than that founded by Mr Lee Kuan Yew in Singapore.



NOTICE TO THE HOLDERS OF
"MONTEDISON 10% 1985/1992 SPECIAL SERIES
SELM/M.E.T.A." BONDS
CONVERSION OPTION
BETWEEN JUNE 8, 1987 AND JULY 7, 1987

We inform the Bondholders that an extraordinary meeting of Iniziativa Me.Ta S.p.A. shareholders will be called to resolve on the merger of Vetiver S.r.l. into Iniziativa Me.Ta S.p.A., issuing n. 21,894,500 Iniziativa Me.Ta S.p.A. ordinary shares, representing 49.9% of the share capital of Vetiver S.r.l. equivalent to Lit. 355,787,000,000 owned by a Montedison S.p.A. controlled company.

In compliance with the provision of Art. nr. 5 of the Terms of the Montedison 10% 1985/92 Special Series SELM/M.E.T.A. bonds, the Board Meeting of Montedison S.p.A. decided to allow to the bondholders the option to request their conversion before due date, with effect from July 7, 1987. Each certificate of 5,000 Montedison 10% 1985/1992 bonds with coupon 4 and following attached and with coupons I, II, III, IV, face value Lit. 1,000 each, entitles to:

- n. 810 SELM savings shares—face value Lit. 1,000 each—with coupon n. 8 and following attached.
- n. 64 convertible SELM 7% 1988/1993 bonds—face value Lit. 4,500 each—with coupon n. 2 and following attached.
- n. 402 M.E.T.A. ordinary shares—face value Lit. 1,000 each—with coupon n. 59 and following attached.
- n. 109 M.E.T.A. non convertible savings shares—face value Lit. 1,000 each—with coupon n. 7 and following attached.
- n. 39 convertible M.E.T.A. 7% 1988/1993 bonds—face value Lit. 9,000 each—with coupon n. 1 and following attached.

Conversion applications must be submitted between June 8, 1987 and July 7, 1987 to the Milan offices of Credito Italiano, Banca Commerciale Italiana, Banco di Roma, enclosing the relevant debenture securities with coupon n. 4 (expiring July 1, 1987) and following as well as the coupons from I to IV attached thereto.

The amount of the missing coupon is to be paid by the Bondholder. On conversion, Montedison must be refunded the amount of the subscription price of the securities which Montedison advanced for the rights issue of M.E.T.A. and for the convertible bond issue of SELM and M.E.T.A., increased by the relevant interests as per article n. 5 of the Terms of the Bonds. The net amount to be refunded for each 5,000-bonds certificate is equal to Lit. 3,008,670.

The applicant will be endowed with a copy of the conversion request which is available to collect ordinary and non convertible savings shares of M.E.T.A., savings shares of SELM, and convertible bonds of SELM and M.E.T.A.

AUTHORIZED BANKS

IN ITALY
Banca Commerciale Italiana, Credito Italiano, Banco di Roma
ABROAD
(commissioned by Italian banks pursuant to the current legislation)

In the U.K.
Hambros Bank Limited — London

In Luxembourg
Kreditbank SA — Luxembourg

In Switzerland
Union Bank of Switzerland — Zurich

MONTEDISON S.p.A.
The President
(Ditt. MARIO SCHIMBERNI)

A fragile blow for freedom

THE MEDIA appears to have struck an unexpected and resounding blow for freedom of publication. The occasion was the trial of the Vice-Chancellor, Sir Nicholas Browne-Wilkinson, that the Independent and two other London dailies were not guilty of contempt of court when, in early April, they published extracts from Peter Wright's book *Spycatcher*.

Mr Wright's allegations about misdeeds within the security services were the precise subject matter of injunctions granted to the Attorney General last summer against the Guardian and the Observer.

Yet even if the saga of official attempts at suppression of M15 secrets is fast proving unattainable, and Mr Wright's book will soon be legally publishable in this country, the newly acquired freedom to publish may not be as secure as it seems. To appreciate the nuances of legal control over press freedom, it is necessary to re-tell the story.

Peter Wright, a disappointed ex-officer of M15, had on retirement withdrawn to Tasmania where he began to write his memoirs. The completed manuscript was offered to the publishers, Messrs Heinemann, in Melbourne, Australia. The British Government learnt of the author's intentions to publish his memoirs in the late autumn of 1985. The Attorney General asked the courts in New South Wales to restrain the publishers from publishing. The basis of the British Government's case was that Peter

Wright had a contract which in private law imposed on him a life-long duty of confidentiality. The Attorney General, Mr Justice Powell, concluded that there was no such contractual obligation on Mr Wright and he decided the case against the British Government. There was furthermore no other ground for asserting a legal duty on an officer not to divulge Crown secrets. (An appeal is to be heard by the House of Lords at the end of next month.)

The Guardian and the Observer had meanwhile been publishing articles outlining allegations said to be contained in Mr Wright's memoirs. Last summer the Attorney General moved against them in the English courts and obtained injunctions from a Chancery judge whose judgment was upheld in the court of appeal. An appeal to the House of Lords was due to be heard next week but has been indefinitely postponed.

No other newspaper had been threatening to publish any of Mr Wright's memoirs and so was not subject to the injunctions granted against the two newspapers and the Attorney General did not write to any other editor of a newspaper or journal for an undertaking not to publish. But of course every journalist was acutely aware of the ban on the Guardian and the Observer.

At the end of April, 1987, the Independent — much to the irritation of its rivals who were chafing under the ban on publication — published a lead story depicting a section of Mr Wright's book. It was published to be exactly what the Guardian and the Observer had been for-

bidden to do since mid 1986. Those two papers hurriedly asked for the injunctions to be lifted but the court thought that the contempt proceedings which the Attorney General had just started against the Independent and others should be determined first. If there was no contempt of court, there could be no reason why the injunctions should remain.

The injunctions which the Attorney General had sought in the summer of 1986 specifically prohibited the Guardian and the Observer from publishing anything from Mr Wright's book. No other newspaper was made a party to those proceedings and, so the argument runs, they could not be prevented from doing the acts prohibited unless they had aided or abetted the Guardian and the Observer in breaching the terms of the injunction.

All this flowed necessarily from the fact that the Attorney General was proceeding against the newspapers in private law for breach of confidentiality by Crown servants.

The only right protected by

the injunctions was a private right of action under civil law — namely, the right of an employer to restrain a former employee from disclosing confidential information. There was no reliance on any public law rights that might spring from the provisions of the Official Secrets Act.

If in granting the 1986 injunctions the court was not enforcing any public right referable to the preservation of official secrets for the public welfare, no third party could be affected with the prohibition in the injunctions. The rights existing within the private law sector could not reach outside its frame of reference and ensnare outsiders.

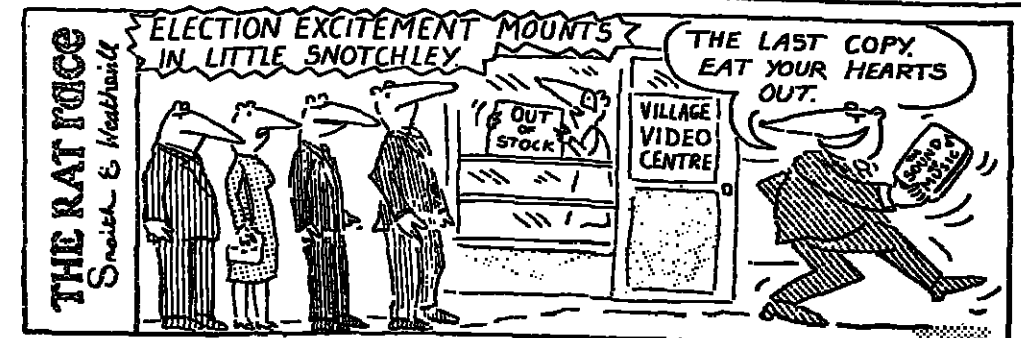
That line of reasoning lay at the heart of Mr Justice Powell's judgment last March in the New South Wales court. If the same reasoning by the Vice-Chancellor proves to be appeal-proof then the Government will have to concede as decorously as it can that the Australian decision is unappealable. In any event, the injunctions against the Guardian



JUSTINIAN

and the Observer must fall away.

The Government's one residual argument must be that it is fallacious to analyse its legal action against the Guardian and the Observer as exclusively within the private law sector, and that the lifelong preservation of confidentiality by a Crown servant imports a public law element. It is a confidentiality special to those in government service transcending the ordinary right of an employer to stop his employee from disclosing trade secrets, a right exists only so long as the employment lasts. The difficulty about the Government's argument is its novelty.



UK NEWS

Lloyds forecasts further fall in dollar

By Janet Bush

THE SOMEWHAT half-hearted commitment of the Group of Seven leading industrial nations to currency target zones cannot be expected to give more than a few months' breathing space for the dollar, according to a report by Lloyds Bank.

It predicts the Venice summit may encourage a period of stability for the dollar, but by September it will be weakening again. In March 1988, Lloyds forecasts, the dollar will have fallen to ¥127 and DM 1.60 from around ¥140 and DM 1.50 now.

Lloyds says the G7 finance ministers are unlikely publicly to announce target bands which, because of the flexibility this allows, robs them of some of their credibility.

The greatest risk for the dollar is posed by the US trade deficit rather than inflation and by the weakness in the economy which will discourage the US Federal Reserve from pushing up interest rates sharply when the dollar falls again.

The dollar's rebound at the end of May did not signal the end of the decline, Lloyds says, but reflected the market's awareness prior to the Venice summit that strong official intervention had been taking place, possibly within unpublished target zones.

The replacement of Mr Paul Volcker as Fed chairman by Dr Alan Greenspan in August will mean a new uncertainty surrounding monetary policy.

Although the latest refutation package in Japan has more substance than similar measures recently, it is unlikely to have much immediate impact on the Japanese trade surplus and the yen will thus continue to strengthen.

Lloyds suggests the current unannounced target bands for sterling are \$1.85 to \$1.95 and DM 2.05 to DM 2.15.

The pound may join the exchange-rate mechanism of the European Monetary System at a rate against the D-Mark close to its current national central rate of DM 2.78 in the third quarter of this year if the West German currency strengthens as projected.

Bank executives worry over new act's impact

BY BARRY RILEY

CORPORATE finance executives in some merchant banks and securities houses are becoming anxious that no arrangements have yet been made for regulatory cover for their activities under the Financial Services Act.

Aspects of their operations in areas such as new issues and mergers are certain to be defined as investment business under the terms of the act and corporate finance departments will therefore need to obtain authorisation.

However, with the final date at which such authorisation must be applied for possibly only four months away, there is no self-regulatory body with an appropriate

rule-book covering corporate finance.

It is understood that both the Takeover Panel and the Issuing Houses Association have turned down suggestions that they should become specialist SROs for corporate finance.

Now the proposal is, however, that the Securities Association should regulate the sector. There is logic in this, because many banks and other organisations active in corporate finance are also TSA members in respect of their other activities in broking and market making.

The merchant banks are also regulated by the Bank of England un-

der the Banking Act, and there is concern that there could be a clash of regulations if the same groups are supervised by both TSA and the Bank of England.

For instance, certain capital adequacy requirements are laid down by the Bank of England, and it will not necessarily be the case that TSA's similar regulations will be compatible, at such time as it has finished drawing up its rule-book.

It is understood that TSA is resisting any suggestion that a special category of membership, to which separate rules would apply, should be made available to corporate finance firms.

Sales of low-cost Amstrad stabilise

BY DAVID THOMAS

SALES of the low-cost personal computer launched in September by Amstrad, the fast-growing UK consumer electronics group, are now beginning to stabilise, according to Romtec, a specialist market research company.

Amstrad accounted for 39 per cent of the 120,000 machines sold in the UK in the first three months of 1987, followed by International

Business Machines (20.4 per cent) and Apricot (5.7 per cent).

Market shares by value were very different because of the widely differing prices of the machines.

IBM took 33.6 per cent of the £200m sales in the first three months of the year, followed by Amstrad (12.4 per cent), Compaq (8.9 per cent) and Apricot (8.8 per cent), according to Romtec.

However, Romtec believes the first-quarter results reflect exceptional sales of the Amstrad machines in January and February, after their lack of availability immediately following their launch in September.

Romtec says the March figures are more likely to reflect the sort of level at which Amstrad's sales will settle down.

Milk deliveries continue to dwindle

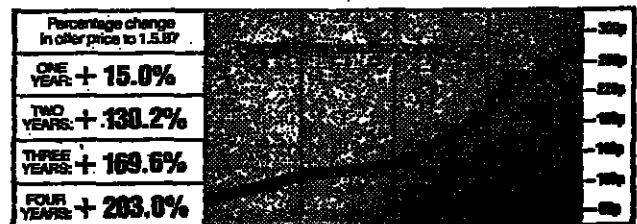
By Lisa Wood

DOORSTEP deliveries of liquid milk are continuing to fall while grocery chains increase their percentage of milk sales, according to a report by Dairy Crest Foods, a subsidiary of the Milk Marketing Board.

The Dairy Crest Milk Report 1987 said sales of milk through retail outlets, including supermarkets, were growing at approximately 20 per cent per annum while doorstep deliveries were losing volume sales at 4 per cent a year. In 1986 doorstep deliveries accounted for 80.5 per cent of liquid milk sales.

The report predicted that by 1990 doorstep deliveries would fall to 75 per cent.

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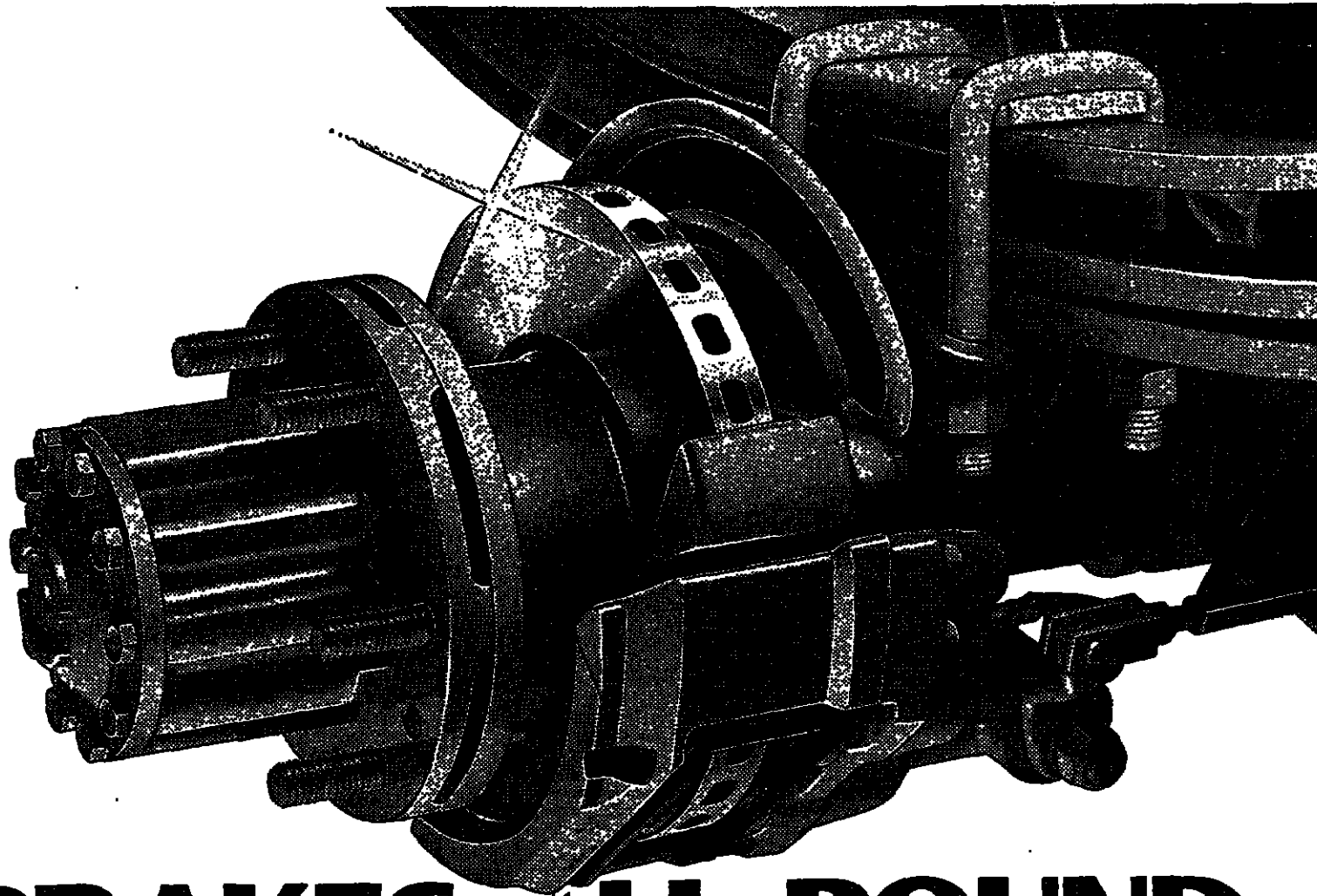
We will also send you our quarterly Investment Review - an expert analysis, market by market, of investment prospects worldwide.

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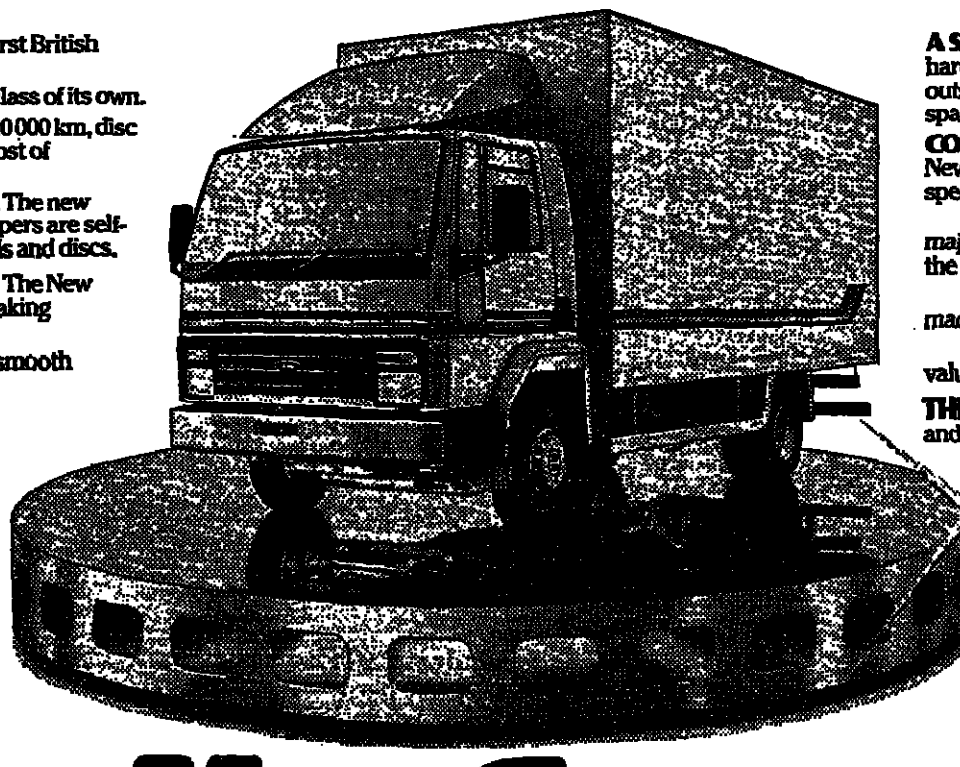
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New Cargo
7.5 TONNER

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Capital stock Lit. 3.690.000.000.000 fully paid

NOTICE CONVENING THE ORDINARY AND EXTRAORDINARY GENERAL MEETING

The Shareholders of STET - Società Finanziaria Telefonica p.a. are hereby notified that the Ordinary and Extraordinary General Meeting will be held in the Conference Room of Company's headquarters in Via Bertola 34, Turin, at 9 a.m. on the 16th of June, 1987 and, if necessary, a second meeting will be held on the 30th of June, 1987, at the same time and place, to discuss and resolve the following

AGENDA

Ordinary Part

1. Board of Directors' Report and Statutory Auditors' Report; Financial Statements for the year ended 31/12/1986; relevant resolutions.
2. Auditors' remuneration for the financial year 1986 and its adjustment in consequence of the merger of SEAT S.p.A. with STET.
3. Resolutions according to art 2364, points 2 and 3 of the Italian civil code.

Extraordinary part

1. Proposal of merger of Tecnofin Finanziaria di Partecipazioni per le Tecnologie Elettroniche e di Telecomunicazioni S.p.A. with STET - Società Finanziaria Telefonica p.a.; relevant resolutions.

The Shareholders shall have the right to attend the meeting, provided that, at least five days before the date established for the meeting, they have deposited their ordinary share certificates with the Company's Securities Department in Turin, Via Bertola 28 or with Head Office in Rome, Corso d'Italia 41, or with any other duly-authorized department, as well as through Monte Titoli S.p.A., for the shares managed by it.

Abroad, the ordinary share certificates may be deposited with foreign branches of Italian authorized banks.

for the Board of Directors
Michele Principe
Chairman

The Company's Financial Statements, the relevant enclosures, the reports of the Board of Directors, Statutory Auditors and Independent Auditors, the Group's Consolidated Financial Statements and the relevant independent auditor's report will be available for Shareholders at the Offices in Turin and Rome from the morning of the 11th of June.

UK NEWS

Compass poised for big management buy-out

BY ALICE RAWSTHORN IN LONDON

THE MANAGEMENT of the Compass Group, which is composed of the contract services division of Grand Metropolitan, is set to stage the biggest British management buy-out yet by buying the business for £160m.

Once the buy-out is completed, Compass will emerge as one of the largest contract services businesses in Britain operating within contract catering, international catering and property services, building services and private hospitals. The four businesses made pre-tax profits of £10.2m on turnover of £231m in the last financial year to September 30 1986 and should produce profits of at least £18m in the present year.

The buy-out team is headed by Mr Gerry Robinson, who was drafted in to Grand Met's contract services division - then in losses - three years ago. He will run Compass as chief executive alongside its four divisional managing directors.

The buy-out has been assembled by 3i, the British venture capital group, which is providing £70m as



Mr Gerry Robinson: £160m buy-out relatively simple.

lead underwriter, together with Prudential Venture Managers and CIN Industrial Investment, each committing £20m. The ramp of the

finance comes from a medium-term loan from the National Westminster Bank.

Compass is the latest in a series of divestments for Grand Met which is in the throes of a long-term strategy intended to concentrate its interests on consumer businesses. The buy-out, which is priced on historic exit multiple of 22, will reduce the group's gearing by 15 per cent to 90 per cent.

Mr Allen Sheppard, group chief executive who will become chairman of Grand Met when Sir Stanley Grinstead retires at the end of the month, said yesterday that Compass should be the last of the major UK disposals, but that divestments in the US will continue.

Grand Met now aims to augment its core businesses - food, drink, brewing and hotels - by acquisition. The recent \$1.2bn purchase of Heublein, the US drinks business should rule out any huge deals. But as Mr Sheppard said: "Good opportunities do not necessarily come along at opportune moments."

Real estate plays its market hand

BY PAUL CHEESERIGHT

PROPERTY unit trusts and the stock exchange are to start talks that might lead to full quotation and open trading on the market.

The move is designed to ensure the future of the trusts in the face of likely competition for pension fund investment from the trading of securities and units in single property investment schemes.

Mr Brian Wootton, managing director of the Hill Samuel Property Unit Trust, said: "Unless we fight back, we shall not survive. There is no reason why multi-property unit trusts should not be quoted on the exchange."

The trusts have grouped together into an association to press their case. However, the collective move was overshadowed by the individual decision of The Pension Fund Property Unit Trust, the oldest in the business, to initiate talks in the first instance with the Department of Trade and Industry.

The Pension Fund Property Unit Trust made its move last February.

It offered the prospect of stock exchange listing as one reason for turning down the bid by Trafalgar House, the shipping, construction and property group, to buy its property portfolio for £187.7m.

That bid, coupled with the liquidation of some trusts and the desire of unit holders in others to sell their interests, has emphasised the vulnerability of the property trust business after several lean years. Now there is an additional threat from new forms of property investment.

The arrival of single property investment schemes "puts the unit trusts on a knife-edge," said one City analyst. "They have to do something or sell their portfolios."

The unit trusts are "unauthorised," to use the legal jargon. That means it has not been possible to market them directly to the public. They have been available only to pension funds and charities wishing to invest in properties, and trustees and unit holders have been

subject to capital gains tax on the disposal of their interests.

However, unit trusts holding a variety of properties are authorised under the new Financial Services Act in the same way as trusts owning a single property.

Once the regulations underpinning the act are published by the Department of Trade and Industry, probably in December, the "unauthorised" trusts will have the legal basis for open trading.

Sponsors of single property trusts and other schemes based on one property have already sorted out the regulations for stock exchange listing. So, in the competition for new investment money, the multi-property trusts are starting from behind.

The trusts had a committee that seems to have been little more than a luncheon club. Now they have formed an association to represent their interest in talks with the DTI and the stock exchange.

Machine tool demand sharply lower in 1987

BY NICK GARNETT

DEMAND for machine tools in the UK appears to have dropped sharply during the first half of this year. Domestic producers and importers have been reporting a 10 to 20 per cent fall in orders compared with the second half of 1986.

Although some specialist machine builders selling to specific industries have not suffered a fall-off in orders of such proportions, the Machine Tool Trades Association says its members are generally going through a very difficult period.

One medium-sized manufacturer of machining centres in the Midlands said its domestic sales were down by a fifth. "Last month was absolutely disastrous and this month does not look as if it will be any better," the company said.

The UK's weak market for metal cutting and forming machines was worth about £750 last year and has caused some disagreement among machine builders.

Some companies say the downturn in orders shows that business surveys, including the most recent one from the Confederation of British Industry, have been too optimistic about the state of British manufacturing.

Machine tool sales are seen as a barometer of general investment

and the health of engineering-related industries.

Other machine tool companies say their UK customers appear to be busy but, while making inquiries about new equipment, are failing to convert those into orders.

The London Business School had forecast a 14 per cent rise in UK machine tool consumption this year, but machine tool manufacturers now say that should be revised downwards drastically.

Mills Marketing, an importer of West German, Japanese and other Asian-built machines, says its sales are not down by as much as 20 per cent but the level of orders has declined substantially over the past few months.

Mills Marketing imports Nakamura and Toshiba computer numerical control machines as well as Chiron machines from Germany and some Korean and Taiwanese equipment.

UK manufacturers of machining centres and non-computer numerical control milling machines, are also complaining bitterly about what they say is the most aggressive dumping by Taiwanese machine builders ever experienced in the UK.

PO's better deal for bulk mail

By Kevin Brown
Transport Correspondent

THE POST OFFICE is setting up a special national delivery system to handle its booming bulk mail business, which now accounts for 20 per cent of the 48m letters and packets posted every day.

The system, which is expected to be fully operational by October, will use 30 chartered British Rail trains, as well as Post Office trucks on 19 long-haul road routes.

It will operate separately from the existing Royal Mail delivery system, which uses "travelling post offices" on 30 trains and a fleet of aircraft.

The intention is to reduce pressure on the existing delivery system while cashing in on growth in the bulk mail sector.

The discrete nature of the new service is also in line with the strategy of splitting up the letters business into manageable parts being followed by Mr Bill Cockburn, Royal Mail's managing director.

The Post Office says the new system will cost £3m to operate in a full year. It is in addition to a £15m efficiency drive intended to improve the operational side of mail deliveries.

Production plans for compact disc prompt over-capacity fears

BY DAVID THOMAS IN LONDON

PLANS for a huge increase in compact disc making worldwide are leading to fears that the industry may soon be suffering from over-capacity.

Music companies have been struggling until now to keep pace with demand for compact discs, which began to take off last year.

As a result, compact disc prices have failed to fall as much as some industry observers were expecting and some music companies have delayed until recently plans to release some of their most popular music on compact disc.

However, the shortage of compact disc capacity is about to end, according to information gathered by the International Federation of Phonogram and Videogram Producers, representing 640 music companies worldwide.

The federation knows of plans for 27 new compact disc plants with an annual capacity of 260m records. Most are scheduled to start operating this year or next.

Of the 27, 11 are planned for North America, 10 for Western Europe, four for the Far East - including two for China - one for South America and one for Eastern Europe.

The federation also has information on 49 plants already operating. These plan to have an annual capacity of 570m records by the end of the year.

In addition, the existing plants are planning to increase capacity by a further 390m units, mostly next year.

Compact disc sales worldwide last year totalled 140m and are expected to reach 300m this year, according to BIS Mackintosh, a UK-based market research and consultancy group.

The capacity/sales gap is not as big as it seems because up to 20 per cent of compact discs are spoiled during production. Moreover, some of the planned increase may be for uses outside the music industry.

But the gap is still sufficiently large to have given rise to fears within the industry that compact discs might be moving to a period of over-capacity.

However, it is argued that the increase in output should force down prices and boost demand. Some record companies are introducing cheaper compact discs for some of their re-releases.

It is also thought that some companies planning to enter the market will withdraw as competition becomes tougher, particularly since many of the newcomers have not previously manufactured for the music business.

Wellcome acts to halt TPA patent

BY TONY JACKSON IN LONDON

LONDON'S High Court sees the start of a court case today that might affect the future of the international biotechnology industry.

The Wellcome Foundation, the UK drug company, is seeking to overturn a patent granted last year in Britain to Genentech, the US biotechnology group, for the production of tissue plasminogen activator (TPA), the clot-dissolving drug.

Wellcome is a rival to Genentech in the production of TPA, which promises enormous sales as a treatment for heart attacks.

Several drug companies around the world are racing to develop their versions of the drug, but only Genentech and Wellcome are believed to have reached the stage of clinical trials, with Genentech clearly in the lead.

Wellcome argues that since TPA is a substance that occurs naturally in the body, applying genetic engineering techniques to its production does not constitute invention.

Mr Bill Castell, Wellcome's commercial director and head of biotechnology, said: "We have objected to Genentech's product patent on the basis that it should never have been issued, in that the claims Gen-

entech have made lack novelty and inventiveness, which are the very basis of what is required to establish a patent in the UK and around the world.

"We are therefore seeking a revocation of the patent."

Although Genentech has applied for product patents for TPA in other countries, it is believed the UK patent is the only one to have been granted so far.

Mr Castell said the case was a "trend-setter." Other patents were being applied for on the basis of it. "A lot of companies have filed for a lot of naturally occurring substances since this one went through."

The patenting of biotechnology products is one of the thorniest issues for the industry.

Success for Wellcome would be a considerable blow to Genentech, which 10 days ago saw the rejection of its application to have TPA licensed for the US market.

Genentech must re-apply with further data. News of the delay wiped more than \$11m off the value of its shares on the day of announcement.

Corporate finance expert is to join Lazard

BY NICK BUNKER

MR NICHOLAS JONES, one of London's best known corporate finance executives, is leaving J. Henry Schroder Wagg after 12 years to join Lazard Brothers, a rival merchant bank.

Mr Jones, 40, led the Schroder team acting for Hanson Trust in its £2.7bn bid for Imperial Group in 1985-86 and then defended Standard Chartered Bank against last year's hostile bid from Lloyds Bank.

He will continue to do merger and acquisition work when he joins Lazard on July 1 but will also become one of the eight or nine man-

naging directors who make up the bank's executive committee.

Mr Jones is the second well known corporate finance executive to join Lazard from another merchant bank in the last 12 months. Lazard gained Mr John Nelson from Kleinwort Benson last year.

Sir John Nott, Lazard's chairman, said he had been trying to build up a corporate finance team "as good as any other in the City."

"Most of our competitors have gone heavily into the securities industry. If we are going to stay small, then our people have to be as effective as any other corporate finance department."

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UK NEWS

COURTS TO INVESTIGATE WORLD OF EURODOLLAR

Libya tests US freeze

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE ARCADE world of the Eurodollar and the extra-territorial reach of the US Government are to be investigated for the first time by the courts in a High Court action starting today.

The case arises from sanctions imposed against Libya by President Ronald Reagan in January last year as part of his anti-terrorism drive, which included a freeze on Libyan assets in US banks.

Libyan Arab Foreign Bank, which is wholly owned by the Libyan central bank, is claiming about \$300m from the London branch of Bankers Trust Company, the New York-based bank.

Part of the money - \$131m - is in a dollar account in London; the balance, the Libyans say, should also be there and would have been if their instructions for it to be transferred from Bankers Trust in New York had been obeyed before the freeze was imposed.

Bankers Trust has taken the line that the money can be paid out only in the US and that, in any event, it cannot hand it over without breaching US law - the President's sanctions.

Libyan Arab Foreign Bank asserts that the money being on deposit in London, it is entitled to demand repayment in London. The central, and most complex, question concerns a "usage" alleged by Bankers Trust to exist in relation to accounts and operations in the Eurodollar market.

Bankers Trust contends that demands for payments or transfers of Eurodollar funds can be executed only in the US through the clearing systems, the largest of which is the

Clearing House Inter Bank Payments System (Chips).

Eurodollar accounts, says Bankers Trust, are not ordinary bank accounts subject to purely monetary obligations between customer and banker, but to obligations in the nature of credits whose discharge takes place by a transfer to a bank in the US designated by the customer, after inter-bank clearance in the US.

Libyan Arab Foreign Bank denies the existence of any such "usage", contends that, in any event, its London account is a running deposit account that does not come within the Eurodollar market as described by Bankers Trust; and asserts a long-standing banking practice that money deposited in London is repayable there.

Last October, a Commercial Court judge gave the Libyans summary judgment on the claim for \$131m, holding that Bankers Trust had no arguable defence and that the Libyans could demand payment in London.

Bankers Trust went to the Court of Appeal which, in December, gave it unconditional leave to defend the whole action, because the issues were too complex to be dealt with summarily.

In the Court of Appeal, Lord Justice Kerr said that it was common ground that the practices concerning Eurodollar accounts alleged by Bankers Trust did not apply to all US dollar bank accounts in the UK.

A substantial US Dollar Clearing Scheme had been in operation in London since 1975, involving many millions of dollars each day, for the presentation and settlement of retail US dollar cheques and similar

items drawn on bank branches in the UK.

The judge said that, in ruling that the Libyans were entitled to summary judgment for \$131m, the Commercial Court had based itself on the premise that the starting point was the principle that a bank account was located solely at the branch where it was kept and that a demand for payment must be made to, and executed by, that branch.

That, said Lord Justice Kerr, might beg the question. The authoritative academic writings in which such matters had been discussed were all concerned with accounts denominated in sterling or other local legal tender. It did not necessarily follow that the same principles applied to banking operations in relation to accounts in foreign currency.

Lord Justice Mustill said that it might be argued that there was no valid comparison between the ordinary sterling bank accounts by reference to which the well-recognised rules had developed over the years and the comparatively novel banking practices where very large dollar balances were maintained overseas primarily for investment purposes, with special mechanisms which had been evolved for dealing with them.

It might be, Lord Justice Mustill said, that the correct approach to the legal relationships created by the latter type of transactions was to start completely from scratch and ask, in the light of the entire commercial context, what rights and duties they must be assumed to involve.

Peat Marwick go back on top

By Andrew Taylor

THE continuing dramatic growth in UK accountants' earnings is underlined by figures published today by Peat Marwick McLintock which has reassessed its position as Britain's biggest accountancy firm.

Peat Marwick earlier this year completed a merger with the Dutch-based accountants Klynveld Main Goerdier which included the UK firm Thomson McLintock. The merged group is now the world's largest accountancy organisation undertaking the US based Arthur Andersen.

Combined UK fee income of Peat Marwick McLintock rose by 26 per cent to £207m in the year to March 31 1987. Coopers & Lybrand, Britain's second-biggest accountancy firm, last week announced that its fee income had risen by almost 20 per cent to £143m over the same period. Coopers two years ago ousted Peat Marwick as Britain's biggest accountants, a position it has retained until now.

Peat Marwick claimed yesterday that it would have resumed its number one position in the UK even without taking into account earnings from Thomson McLintock. Fees earned by Peat Marwick Mitchell alone rose by 28 per cent to almost £147m last year.

The growth in accountants' earnings has arisen for a number of reasons. Increased personal wealth has meant higher demand for tax advice while the general buoyancy of financial markets and increased takeover activity has also boosted demand for accountants' services.

Deregulation, last year, of the London securities markets has exacerbated demand for accountants' services. Peat Marwick McLintock said yesterday that fees from management consultancy, up last year by 48 per cent to £24.4m, had grown at a faster rate than in any other area of its business.

Fees from tax advice also showed a strong increase last year rising by 43 per cent to £30m.

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In Air Lines, Inc.

Thomson switch from cheques

BY DAVID CHURCHILL, LEISURE INDUSTRIES CORRESPONDENT

THOMSON Holidays, Britain's leading package tour operator, is planning to abolish the use of cheques by travel agents when they pass on customers' money.

Thomson will this week tell all 4,300 UK travel agents who still pay by cheque that it wants them to switch to electronic funds transfer by the end of the year.

The move will mean about 1m. fewer cheques processed a year.

"We want to do away completely with the cumbersome writing and processing of cheques," said Mr

Tim Rundle, Thomson's sales development manager, yesterday.

"The banks can't cope with the volumes, we can't cope and, for the agents, cheques are a costly and unnecessary chore in the computer age."

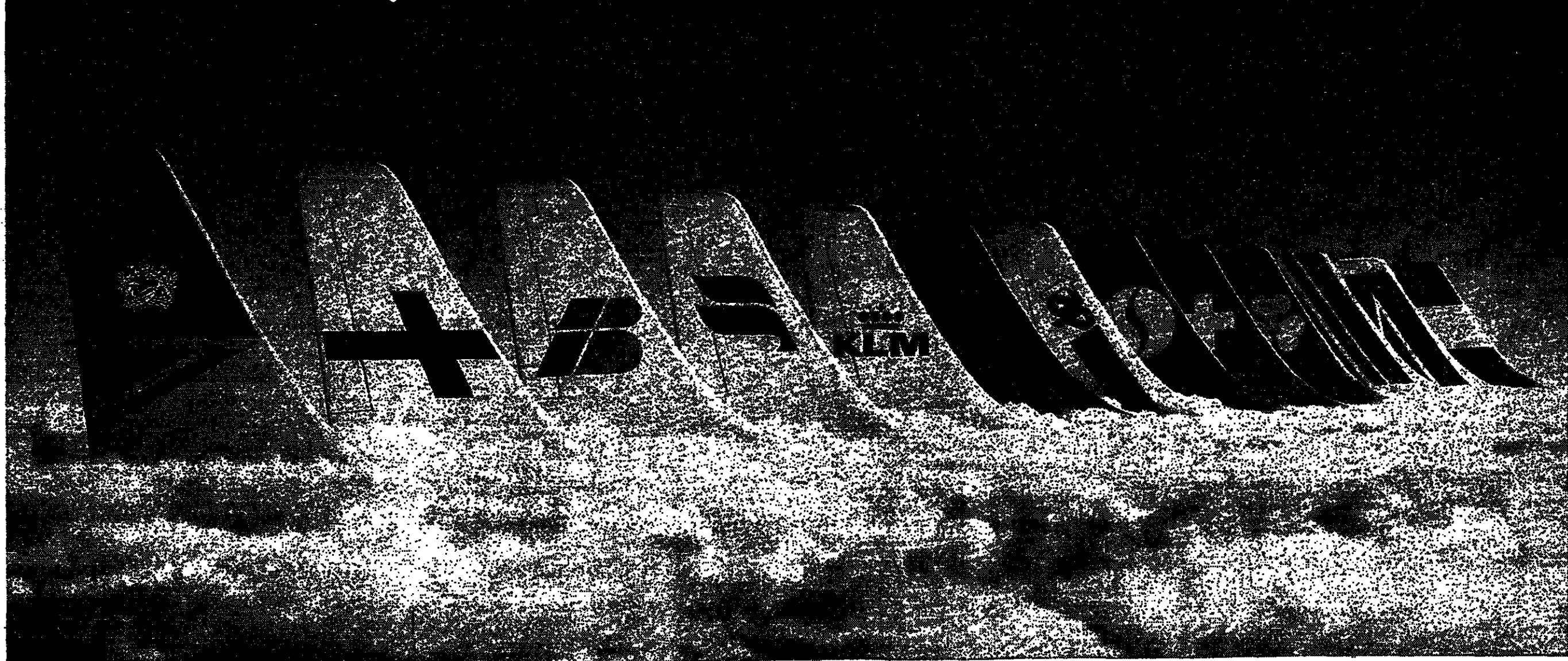
Travel agents have to send cheques to Thomson and the other four operators on a frequent basis because holiday reservations made by computer are not confirmed until Thomson has received the customer's deposit.

However, the introduction of the

videotex booking system for all travel agents booking Thomson holidays has provided the basis for the system to introduce electronic funds transfer.

Under the system, which is called TAB (Thomson Automatic Banking), transfers from the agent's bank account to the Thomson account are made electronically once a week. Each travel agent has a confidential file on the system which shows details of bookings, with money due and payment dates.

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UK NEWS — THE GENERAL ELECTION

Stars put on style in Labour celebration

BY DAVID THOMAS

LABOUR'S stylish campaign kiosk completely transfigured yesterday as Neil and Glensy Kinnoch marched down a wide staircase through a balloon-festooned hall on a 10-minute standing ovation to speak to a cheering audience including five rows of showbusiness stars.

Glenda Jackson, the actress, welcomed Mr Kinnoch as the next Prime Minister before he packed all Labour's campaign themes into a short speech.

The new Labour Party had chosen a design centre in Islington, North London's heart of yuppie-dom and designer socialism to launch the last week of its campaign.

Hundreds of supporters had flocked into Islington Business Design Centre, once a derelict hangar, now housing graphics and design workshops.

There they found huge streamers decorated with Labour's red rose, giant bundles of balloons hanging from the rafters and dozens of celebrities — more or less famous — waiting to entertain them.

Islington is, according to tabloid legend, a centre of loonie leftism, yet organisers of the ticket-only event managed to keep the ravers outside — all except three who were quickly led away when they tried to shout down Mr Kinnoch.

About a dozen Trotskyists harangued the Labour faithful outside the hall. "There are a few people in the Labour Party who are not rich and who do not support the fascist cult of British imperialism," shouted the fierce woman with the microphone in what was probably a gesture of friendship.

Inside the audience did not look particularly rich, even if they were a little younger and trendier than the typical Labour gathering — though not up to the standards of Ben Elton, doyen of alternative comedians, whose suit seemed to be made of Labour.

He was master of ceremonies as about 20 stars, ranging from Clive Dunn ("Norman Tebbit—the thinking man's Stanley knife"),

through Billy Bragg and John Williams to Larry Adler, cracked jokes, sang songs and played a mouth organ for a Labour victory.

Half the comics from the London alternative cabaret scene were there. One, dressed as a spiv, claimed to be Nigel Lawson selling state assets: "Wanna buy a nuclear power station? Don't worry about Chernobyl. That was different. They were Soviet particles trying to escape to a free country."

The City was an easy target. "Tory policies on law and order—take crime off the streets and put it in the Stock Exchange, where it belongs."

Another starlet sang the City election song, with the chorus line "That's why the lady gets my vote," to the tune of That's Why The Lady Is A Tramp.

However, the biggest cheer, before Neil and Glensy arrived, went up for an all-black gospel group, The Inspirational Choir, who had the audience standing and clapping to their jazzed-up version of old gospel tunes.

That was the perfect cue for the Kinnochs' entry down the presidential staircase. The Gold-thorpe Colliery Brass Band, one of the few representatives of traditional Labour support, blew manfully above the cheering.

After eight years of Conservative rule, Mr Kinnoch said, "there is greater fear on the streets, anxiety is used as an economic weapon, prejudice is given legal force, morality is a mixture of being economical with the truth and worshipping the gods of greed."

Mr Kinnoch pledged Labour to spend more on education and training, on research and development, on science and the arts.

He argued that the Venice summit was likely to prove fruitless: "If this venture is anything like their previous sorties it will be an empty epic."



Celebrity hand for Mrs Thatcher after her speech at Wembley Conference Centre yesterday

Ashley Ashwood

Main election themes outlined by Thatcher at rally

BY JOHN HUNT

AS MRS THATCHER entered the final stretch of the campaign yesterday she pulled all her election themes together and pledged that under her government people would continue to live in peace protected by strong national defences, a firm law and order policy, freedom from industrial strife and freedom of choice.

Speaking to a rally of 3,000 supporters at Wembley Arena, she emphasised her commitment to one nation in an attempt to rebut Labour accusations that her policies have divided the country.

In anticipation of a renewed Labour attack over unemployment, she painted a picture of a thriving economy in which unemployment is falling and will drop further if the Conservatives are returned to power.

With the SDP/Liberal Alliance doing badly in the polls the Prime Minister concentrated her attack on Labour, with warnings of the dire consequences for the country if Kinnoch administration is elected.

Introducing a folksy touch she said that as a "mum" she thought that people who wanted a strong Britain belonged in "mum's army".

Hitting out at Labour's non-nuclear defence policy, she predicted that when voters go to the polls on Thursday "Mum's army will include thousands of traditional Labour supporters."

She said: "The enemies of the British way of life are the enemies of liberty. Labour wants to bring the police under political control. The British police must never become the strong arm of political parties."

During the campaign, she said, the economic good news had continued to roll in. Unemployment was coming down "and we hope and believe it will continue to fall in the coming months." But, she

claimed, Labour hated this success story.

The Prime Minister also renewed her warnings about Labour's proposals to repeal trade union legislation. They would bring back secondary picketing, she said, knowing the intimidation and violence that goes with it.

She also dwelt on wider share ownership and the Government's privatisation programme of which there was "more to come."

Two Davids try to seek solace among the boating voters

BY TOM LYNCH

THE ALLIANCE's transport policy took a bit of a beating yesterday — or at least, the SDP's policy of double-parking its campaign bus outside Alliance HQ got on the wrong side of a London traffic policeman.

Two minutes after the driver left the bus double-parked with its engine running while he went to find some journalists he was talking to a rally in Richmond, an eager defender of the double yellow line leapt aboard and drove off.

Ignoring impassioned appeals over the mobile phone to bring back Dr Owen's travelling headquarters—known to fully paid-up members of the media circus as the Floating Voter—the keen constabulary drove on to the pound in the Old Kent Road, where the bus was last night still being held hostage against a ransom of £57.

It was probably just as well that the event in Richmond was water-based. Dr Owen and Mr Steel taking to the River Thames in search of the boating voters. The advance billing was that the two Davids would arrive by powerboat, be greeted by four celebrities and a band and make speeches.

The powerboat turned out to be Lindsey, a large, stately vessel in battleship grey, which plodded steadily up the Thames, followed by a retinue of loyal

cabin cruisers and disdainful Tory placards wielded by the crews of rubber dinghies snapping at her heels.

Only two of the four celebrities turned up, and the planned jazz band did not materialise. Instead a lone piper played Cock of the North as the party leaders stepped on to the landing stage and continued playing bravely until drowned out by the public address system playing the Alliance's adopted snatch of Purcell.

The venue for the climax of the weekend's campaigning was well chosen — Richmond is the embodiment of affluent London suburbia, where being poor is to make do with a Metro for your second car, or only have one fondue set. But it is also a seat where the Tories had only a 74 majority over the Alliance in 1983.

So this was a place where a good crowd could be expected for the two Davids, and it duly turned out to clap and cheer and provide some of the broadest welcoming smiles of the campaign so far. A strong Tory contingent tried, and failed, to prove that the Alliance did not have the longest or most vicious placard handles and Dr Owen pronounced himself satisfied with the change in his usual diet of harracking from the left. At last he was being heckled by a Hooley Henry.

Society has suggested four points might be more realistic.

If these figures were repeated on Thursday, Tory support might decline by 2.5 and 4.2 percentage points respectively. There was a similar trend in 1979.

In 1983, the polls also all predicted a higher Conservative vote than actually occurred, by an average of 2.7 percentage points, and underestimated Labour support by 2.1 points. This probably reflected a combination of late swing and errors in the polls. After all, the pollsters themselves talk of a margin of error in sampling of 2 per cent or 3 per cent and the Market Research

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PM holds out little hope for Brittan

BY PETER RIDDELL, POLITICAL EDITOR

MRS MARGARET THATCHER, yesterday discussed the Westland affair for the first time in the general election and appeared to hold out little hope of an early return to office for Mr Leon Brittan, the former Trade and Industry Secretary, who resigned at the time.

Interviewed by Mr David Frost on TV-am, Mrs Thatcher said the Westland affair (18 months ago) was "so small it was amazed that it was blown up." She repeated her regret at the leaking of the Solicitor-General's letter at a key moment in the affair.

She also admitted for the first time that she had said on Janu-

ary 27, 1986, the day of the key Westland debate, that "I may not be Prime Minister by six o'clock tonight." She said: "Oh, you suddenly come out with these things. I would not necessarily take them as if they had any very great, deep significance."

In relation to Mr Brittan and Mr Michael Heseltine, the former Defence Secretary, she said: "one is always sad when comparatively small things blow up and there are certain personality problems, when you lose two very able people. But you know life is like that, and it's just one of those things you have to accept and then you carry on."

Asked whether Mr Brittan might be disappointed by these remarks, she said, having been in politics "a very long time, I have known great joys, and great disappointments and if you have the one, then there are times when you have to accept the other."

In her interview, Mrs Thatcher explained her own attitude to private medical treatment. After Brighton (the bombing in October 1984) we all went to the health service. It is absolutely fantastic in dealing with acute emergencies," she said she was "very lucky. I have only tiny minor things and

She said: "The enemies of the British way of life are the enemies of liberty. Labour wants to bring the police under political control. The British police must never become the strong arm of political parties."

During the campaign, she said, the economic good news had continued to roll in. Unemployment was coming down "and we hope and believe it will continue to fall in the coming months." But, she

claimed, Labour hated this success story.

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Rain fails to dampen Jenkins' polling spirit

James Buxton reports on an SDP founder's fight for a marginal

IT WAS the worst possible day for electioneering. Rain, ranging from heavy drizzle to downpour, rarely let up for a moment.

Saturday morning, however, had been set for Roy Jenkins' motor cavalcade through his Glasgow constituency and it was going ahead regardless.

Some of the little knot of SDP workers looked dismayed when they heard at the bridge that the candidate would not after all be leaving his car to speak to the voters. Later it was pointed out that whether or not Mr Jenkins liked acrobatic people doing their Saturday shopping, shoppers themselves would not like being kept out in the rain to pass the time of day with him.

The little cavalcade formed up near Roy Jenkins' flat in a Victorian terrace in the smarter end of the constituency. Mr Jenkins, hunched but wearing an overcoat and scarf, and his wife Dame Jennifer, emerged through the open sun-roof of a Rover, protected against bumps by a couple of cushions.

With a loudspeaker car in front, a special branch car immediately behind and a police van bringing up the rear, the cavalcade set off through the rain. Mr Jenkins smiled warmly and waved at everyone who saw him. An impressive number of people smiled or waved back, or shook their umbrellas up and down in enthusiastic greeting.

There was no denying that Mr Jenkins is a personality in Glasgow. Hillhead was not, so far this campaign and the past record suggest that the Tories have a sufficient safety margin to last until Thursday. But a huge argument with the Tories the largest single party cannot yet be entirely ruled out.

It is a topic on which opinions are not divided along strictly party lines, on which the parties are favoured unequally, which may therefore bring about a switch in voting intention and, in an extreme case, determine an election outcome.

Not every election topic therefore qualifies as an issue.

In 1979, for instance, extremism in trade unions was frequently named as important. Closer investigation showed that almost all who did so were strong Conservatives. As a vote determining, therefore, it had little weight. It was not, on our definition, an issue.

In this election defence, education and health services qualify as issues. Parties raise themes both to persuade and to deter. Labour seems to have lost few votes over its defence policy, presumably because its content was already well-known.

The great majority of those who named defence as important were non-Labour voters. But at the least some of these must have been potential switchers. Defence is therefore an issue in the sense that

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Party mood: Neil Kinnoch and wife Glensy at yesterday's Islington rally

Peter Riddell examines pitfalls in the polls

Tory hopes could still be left hanging

THE TORIES seem to be headed for a working Commons majority next Thursday but are they invulnerable?

The opinion polls have certainly shown a remarkable stability in party ratings over the past three weeks. However, past precedent suggests that support for the governing party, as measured by the polls, tends to decline in the few days up to polling as voters make up their minds.

This may reflect errors in the polls themselves. In 1970 almost all polls got the result wrong by not interviewing up to the last minute thereby missing a late shift to the

Tories. Even in the two 1974 elections the final polls overestimated the leader's margin by 2.5 and 4.2 percentage points respectively. There was a similar trend in 1979.

In 1983, the polls also all predicted a higher Conservative vote than actually occurred, by an average of 2.7 percentage points, and underestimated Labour support by 2.1 points. This probably reflected a combination of late swing and errors in the polls. After all, the pollsters themselves talk of a margin of error in sampling of 2 per cent or 3 per cent and the Market Research

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UK NEWS — THE GENERAL ELECTION

Incomes of poor 'down by 15% under Tories'

By Alan Price

THE Conservative Government has remorselessly pursued a policy of two nations under which inequalities between rich and poor have grown, a Child Poverty Action Group report claims today.

Poor families with children suffered a drop in real income depending on family size, of 15.7 per cent to 37.5 per cent between 1979 and 1985, says the report. People in the bottom tenth of national incomes fell by an average of 9.7 per cent between 1979 and 1985, while the top fifth of wage earners had enjoyed real salary increases of 22 per cent since 1979.

The claims are contained in The Growing Divide, a pre-election commentary on social policies since the Conservative Party came to power in 1979. Chapters have been contributed by CPAG staff and a number of academic specialists in poverty and social policy.

Professor Alan Walker, Professor of Social Policy at Sheffield University, says in a conclusion that the weight of authoritative evidence "in the report builds up to the overwhelming conclusion that 'Britain is a much more sharply divided society in 1987 than it was eight years earlier'."

The report is not arguing, says Prof Walker, that divisions based on class, race, gender and age began with the election of the Conservatives in 1979. But the Government has helped to widen and deepen these divisions "sometimes to a catastrophic extent."

Growing unemployment had been one of the main causes of the increase in poverty since 1979. Rather than simply being the by-product of a world recession, the British Government had consciously chosen unemployment as a tool of social and economic policy. It had been able to do so because the burden of unemployment was not borne equally.

Thus it is the same, predominantly poor people in the benefit and low-wage sectors who have experienced the

lowest rises in income over the last eight years that have also been hit hardest by unemployment.

Two groups — women and black people — had been singled out for particularly harsh treatment by the Conservative Government. Unemployment among women had increased more sharply than among men, and there was ample evidence of discrimination in the labour market against those from ethnic minorities.

"The policy of two nations has been pursued remorselessly since 1979," says Prof Walker. "The Government has exacerbated changes in the distribution of income and the increasing segmentation of the labour market, rather than attempted to ameliorate them as previous governments have done."

Mr David Plachaud, reader in Social Administration at the London School of Economics, estimates that 1m more men, 1m more women and 1m more children are living at supplementary benefit level in 1987 than in 1979. But compared with 1979, in general, supplementary benefit levels had fallen considerably.

Ironically, a government committed to economic independence had overseen a steep increase in economic dependence on the state.

Ruth Lister, director of the action group, said that while the Labour Party and Liberal-SDP Alliance appeared to agree that an attack on poverty had to be a priority for any incoming government, the group was unable to give an unequivocal welcome to either party's proposals.

"The limited nature of the opposition parties' commitment to redistribution reflects a long-standing tendency on both left and right to subordinate social policy to economic policy. In our view this is short-sighted and misguided. Of course economic policy is important, but it is not an end in itself."

The Growing Divide — A Social Audit 1979-1987. £4.95 CPAG Publications, 1-5 Bath Street, London EC1V 3PY.

Bookies' odds show voters true intentions

By Jeremy Beallack-Hart

OPINION POLLS can show what they like, it is bookmakers' odds about the election outcome that reveal what voters' intentions really are.

Why? Because the odds about any particular result are dictated by the amount of money wagered on that result, and because someone who has put cash on a bet is most unlikely to change track and vote for party B on Thursday.

If that argument is well-founded, Mrs Thatcher will be back in Downing Street but with a much reduced majority.

Current odds have the Tories at 6-1 (bet £6 to win £1), with Labour at 4-1 against and the Alliance 200-1. The odds about an overall majority have been cut from 4-1 to 2-1 and 7-4 in the past week. In the same period, the Alliance has drifted from 25-1 to 10-1.

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Malcolm Rutherford on a contest pitting zest against eccentricity

THE LONDON constituency of Kensington ought really to be re-named Notting Hill. Only then would the bulk of its electorate begin to understand what it is all about. For Kensington must be one of the most cosmopolitan constituencies in the country; more like a bit of New York than the rest of Britain.

It was not always so. There used to be a constituency called South Kensington which was one of the safest Tory seats in the country. There was another called North Kensington which was Labour, though less sweepingly so.

In the boundary changes of the early 1970s the two were brought together. Kensington became marginal. More than a decade later, however, it is doubtful how many of the electorate realise what a precarious seat they live in: precarious in political terms, and in social harmony.

The line down the middle is not quite the Baywater Road, Notting Hill Gate, Holland Park Avenue route that is one of the main arteries in and out of central London. Many people who would like to live in the south of the constituency now buy property in the north because the prices in the south have become impossible. So the north is becoming, in the dreadful word of the 1987 campaign, "yupified."

Still, as a dividing line, Notting Hill Gate will serve. Just to the north of it Alliance posters proliferate. Mr Roy Jenkins lives there. Further to the north Labour self-evidently holds sway; although there are undoubtedly Tory voters around, they prefer to keep quiet about it. In the south there are very few posters at all.

It could be called — indeed sometimes is — a perfect example of the "north-south" gap or the "two nations." But that is too crude. Not all those in the north, including the blacks, are poor, and not all in the south are rich.

The more you look at the area the more it becomes apparent that the two sides have problems in common. Chief among these is housing. This is partly because there is very little space left to build on: much of the property in the south is listed and cannot be pulled down. It is also because of the inexorable pressure from those wanting to move in.

In the south it was the Arabs who came first when the oil revenues were in full flood. Now it is the very rich preparing to move out of Hong Kong and ready to pay almost any price for a Kensington residence.

The pressures on the north and that, in turn, disrupts the northern communities. Those communities are by no means predominantly black, despite

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The more you look at the area the more it becomes apparent that the two sides have problems in common. Chief among these is housing. This is partly because there is very little space left to build on: much of the property in the south is listed and cannot be pulled down. It is also because of the inexorable pressure from those wanting to move in.

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Ben Bousquet: 'would grace the House of Commons'

Divided constituency with problems in common

they must fight the campaign on both sides of the divide. For the Alliance Mr William Goodhart stood last time, knows that his chances are slight because of the polarisation in the constituency, and will make this his last. He has done the SDP some service by standing at all.

The Conservative candidate is the wholly eccentric Sir

1983 result: Sir B. Rhys Williams (C) 14,274; E. T. Bousquet (Lab) 9,172; W. Goodhart (SDP) 5,873; J. Forrit (Eco) 649; T. Knight (Ind) 86. C majority 5,101. Turnout 62.3 per cent.

Candidates: Sir B. Rhys Williams (C); Mr E. T. Bousquet (Lab); Mr W. Goodhart (SDP); Mrs V. Hughes (Public Independent Party); Mr B. Shearer (Green); Miss L. Carrick (Humanist).

Brandon Rhys Williams who used to fight Ebbw Vale, won Kensington South in a by-election in 1968 and has managed to hang on, despite

the changed boundaries. Sir Brandon votes against the Government whenever he chooses, which is quite often, and is campaigning on a kind of alternative manifesto: the right to raise issues which the official manifesto does not touch.

His knowledge of such questions as housing, pensions and social security benefits appears encyclopaedic. He is, in fact, an old-fashioned Liberal.

Labour's main candidate, Mr Ben Bousquet, a black local councillor of long standing who also fought the constituency last time. He and Sir Brandon respect, perhaps even like, each other. Both have an acute understanding of the underlying problems of what Sir Brandon describes as something "very near to being a racism-free zone," though Mr Bousquet would not go that far and Sir Brandon was laughed at by part of the audience when he made the claim at a joint meeting of all the candidates.

Mr Bousquet would grace the House of Commons and Sir Brandon knows it. He brings a zest to the campaign — pop groups, stage appearance by Ken Livingstone, motorcades and balloons — and belongs to the spirit of the Notting Hill Carnival. He is also deeply serious. His problem lies on the other side of the road.

Mr Powell said a recent government statement on defence policy amounted to saying "that in the event of Russia invading Western Europe and the United States not responding by nuclear war, Britain must be able and ready to react by nuclear attack on the Soviet Union."

"It almost defies belief that grown men and women could seriously propose so crazy a scenario," he said. "I am sure that Western Germany — or northern Norway — and the United States declines to commit suicide."

So Britain fires a nuclear salvo at Moscow and Leningrad. How barmy do you have to be to believe that, or to believe that the Kremlin believes that?" asked Mr Powell, who is standing for re-election in South Down.

"The salutary event of Chernobyl strengthened and crystallised an already-growing impulse to escape from the nightmare of peace being dependent upon the concentration of horrific and mutual carnage."

"Events have now so developed that this aspiration can at last be rationally, logically and — I dare to add — patriotically seized by the people of the United Kingdom, if they will use their votes to do so," said Mr Powell.

He said Mr Kinnock was grossly misunderstood when he was "arguing correctly that the Soviet Union, which has failed embarrassingly to occupy Afghanistan, is not in the business of attempting to conquer and govern Western Europe."

Runcie urges wise government

THE Archbishop of Canterbury, Dr Robert Runcie, yesterday called for a competent, wise and versatile government.

Speaking at Canterbury Cathedral Dr Runcie said the "combative election campaign" had seen "strident notes of discord and invective."

"Whatever government emerges from the election on Thursday, we shall all wish and pray that it may prove a competent government,"

stronger. Any fears that Mr Seamus Mallon, Mr Hume's deputy and MP for Newry and Armagh, might lose would be dispelled and Mr Joe Hendron, the SDLP candidate in West Belfast would fancy his chances against Mr Adams.

The main SDLP worry is that apathy and a feeling that yet another election will change nothing will keep people at home. On the other hand, the party has some hope that nationalists are growing weary of the IRA.

If that were shown to be the case, especially in West Belfast, it could have far-reaching consequences within both the IRA and Sinn Féin, especially following Sinn Féin's lowly performance in the recent Irish Republic general election. The pressure from within to concentrate more on violence and abandon the political campaigning of the past six years would surely grow.

All this remains speculation until Friday afternoon, the more so because there have been no opinion polls during the campaign to guide judgment on the outcome — quite a contrast with the poll-dominated campaign in Britain.

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If it has, and the gap between the SDLP and Sinn Féin widens, then Mr McGrady's chances will be

of opposing the Anglo-Irish Agreement. A document setting out an alternative policy has been drawn up but is being kept under wraps by the leadership until the shape of the new Government is clear.

This is chiefly because Mr Paisley and Mr Molyneux want to keep their options open in the hope of a hung parliament in which they can use their block of Unionist seats to bring concessions on the agreement out of an aspiring Prime Minister.

Mr Powell would be a key figure in such bargaining. However, his return in South Down is by no means assured. Nationalists are in a narrow majority in the constituency and the SDLP has thrown as much weight as it can muster behind candidate Mr Eddie McGrady. To win, Mr McGrady must take votes from Sinn Féin to diminish the split in nationalist voting.

Across the province, the battle between Sinn Féin and the SDLP, which polled 13.4 per cent and 17.9 per cent of the votes respectively in 1983, will

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Steel denies Alliance has 'thrown in the sponge'

MR DAVID STEEL, the Liberal leader, yesterday reported that the Alliance had "thrown in the sponge" and had conceded that Mrs Thatcher would win the general election.

Mr Steel, interviewed on LBC Radio, said it was "certainly not too late for a surge in Alliance support in the opinion polls."

He found it "extraordinary" that one or two newspapers were trying to suggest, because the Alliance had read the polls, that it had "thrown in the sponge."

"There is every prospect now that we will bridge the gap between Labour and Conservatives and provide a very different House of Commons after the election from the one we had before. That is our objective and I am sure we can do it," said Mr Steel.

The Liberal leader forecast that because of the work put in

at grassroots level by the Alliance, the party would gain more MPs on Thursday.

Even if they did not have enough seats to bridge the gap, they would certainly have enough to moderate the Thatcher government, went on Mr Steel.

Dr David Owen, the SDP leader, said on the same programme that if the Alliance held the balance of power it would negotiate and force changes in the other parties' policies.

He said the Alliance would not put up with a minority government and would not vote for the Queen's Speech from a group of people who would not negotiate.

Later in the interview Dr Owen attacked Labour's tax plans and warned that a childless married couple earning £7,000 a year would lose £370 a year in addition to the extra 2p on the standard rate of income tax Labour planned to impose.

Owen's warning on trade

A CHECK in the growth of world output and trade would hit British exports and force oil prices down, pushing the balance of payments deeper into the red, Dr David Owen, the SDP leader, warned yesterday.

In a statement on the eve of the Prime Minister's departure for the Venice economic summit, he argued her to persuade other leaders of "the imperative need for concerted action to stem the tide of impending protectionism and the threat to world economic growth."

N Irish eyes look to three key seats in Friday's count

Hugh Carnegie on Ulster's keenest poll battles

WHEN counting starts in Northern Ireland at a civilised hour on Friday morning — long after the election outcome across the water is known — most attention will turn to three of the province's 17 Westminster seats.

Can Mr John Hume's moderate nationalist party, the Social Democratic and Labour Party, upset Mr Gerry Adams of Sinn Féin, the political wing of the Irish Republican Army, in West Belfast?

Will Mr Enoch Powell, a few days short of his 75th birthday, hang on once more to the seat in South Down he has held for the Official Unionist Party since 1974, or will the SDLP overhaul him at last?

How will Unionist voters in North Down respond to Mr Robert McCartney, the abrasive QC whose denunciations of the Unionist campaign against the Anglo-Irish Agreement have rattled the Unionist establishment and whose candidacy challenges the sitting MP, Mr James Kilfedder?

Taking the last first, North Down has provided one of the most fascinating contests of an otherwise rather lack-lustre campaign.



John Hume: worried about voter apathy

Mr McCartney, a former OUP member, had for some time attacked the anti-agreement pact between the OUP and the Reverend Ian Paisley's Democratic Unionist Party as being ill-led and misguided. When the two parties decided that all 14 sitting Unionist MPs should not be challenged by other Unionists in the election, his rebellion

broke cover. He was expelled from the OUP and is now fighting Mr Kilfedder, ironically an independent Unionist who split himself from the party in the past.

His campaign rode the two parties for boycotting Westminster and calls for Scotland-style integration, with mainstream UK parties organising in the province.

Mr McCartney seems to have struck a chord with a good number of Unionists who have become frustrated by the Westminster boycott and disillusioned by the lack of progress made by Mr James Molyneux, the OUP leader, and Mr Paisley, who himself faced a number of resignations from the DUP following the joint election campaign decision.

Mr McCartney campaign has led to extraordinary scenes by recent Unionist standards. In the weekly market in the sedate town of Bangor last Wednesday, Mr McCartney and his supporters engaged in a

MANAGEMENT

Matsushita Electric

Battle-ready with a \$13bn cash mountain

Carla Rapoport explains the austerity of Japan's electronics giant

PEDDLERS pushing hand-carts filled with junk can still be seen weaving their way through heavy traffic in Moriguchi, a nondescript urban area of Osaka, Japan's second largest city.

Considering its unappealing, low-class appearance, Moriguchi is not the sort of community where one would expect to find the headquarters of the world's largest consumer electronics company, Matsushita Electric. But Matsushita and Moriguchi suit each other. Despite the worldwide success of its National Panasonic, Technics and Quasar products, Matsushita clings to the austerity and anonymity of the gritty Moriguchi streets.

As a result, visitors to Matsushita are often stunned to find that a company with sales of more than \$30bn a year lives and works so modestly. The hallways are bare, the offices crowded, the small executive dining room offers only a set lunch. The company car is more often than not a taxi. Overseas, the company has never projected a corporate image, so most foreigners are even unsure how to pronounce the company's name. (Matsushita is the most common pronunciation.)

Buy Matsushita, in fact, depends on its austere surroundings to help create an atmosphere of battle-readiness that it believes is needed if the company is to sustain its momentum in the uncertain times ahead. The appreciation of the yen has indeed turned the screws on Japan's major exporters. But the Osaka giant is hardly in danger of going out of business. Matsushita has stacked up a surplus of \$13bn in its balance sheet, the spoils of its huge success with the videocassette recorder and years of exporting with a cheap yen.

Only a few years ago, GEC's cash mountain of \$16bn was the talk of the UK financial community. But no-one in Japan, including the company, mentions Matsushita's billions. Like the Japanese attitude to the country's huge current account surplus, it is not considered wealth.

"Nippon Steel once had an enormous amount of cash, but now it is declining. Twenty years ago, no one thought steel would decline. No-one knows what will happen in the future," says Tsutomu Fukuhara, the plain-speaking general manager of Matsushita's corporate planning office.

It is hard for foreigners to understand how a company with such a large cash mountain can feel it is under such severe pressure, but this is the mood one senses at Matsushita. The ability of Japan's major companies to foster a fighting spirit among its employees is one of the country's greatest tools. While the rest of the world hammers at Japan to act more like a rich country, that is, spend more and export less — the Japanese continue to feel that they are really a poor country, ill-suited to a rich man's way of life.

So, Matsushita is ignoring the cash and pushing ahead with a long-range strategy of corporate change. As the country's largest maker of VCRs, colour TV sets and industrial robots and one of Japan's major exporters, Matsushita is feverishly reorganising its business to maximise profits in the wake of the yen's appreciation against foreign currencies. Its strategy is two-pronged: pushing more production into cheaper overseas locations and increasing R&D spending in order to find higher-tech products for domestic plants. It has no thought of using the money to buy its way into new businesses. Its goal is to maintain its premier place in consumer electronics for the next several decades.

The future, then, will belong to those companies which can make more out of the development and marriage of current technologies. This means miniaturising office equipment, for example, and introducing it to the domestic market. A telephone / facsimile / answering machine which can also make photocopies is one such product. Another direction is focusing high-tech design on a simple task: one of the company's hottest-selling products in Japan at the moment is its

home bakery, a machine which kneads and bakes a loaf of bread automatically, in less than four hours.

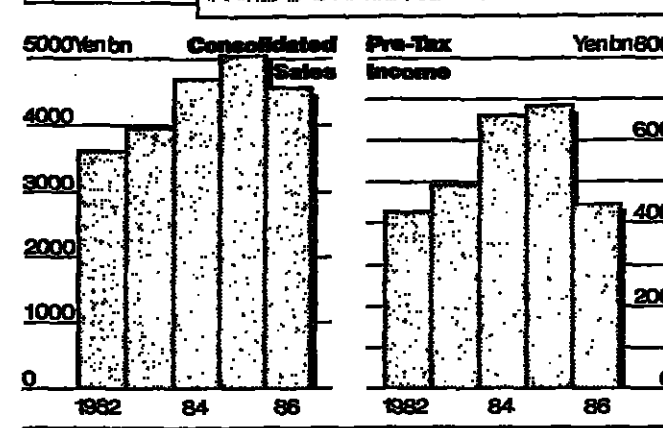
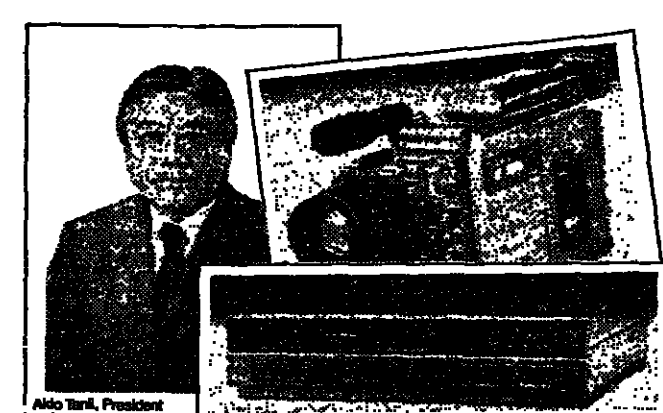
While Matsushita will not be seeking to buy technology through the acquisition of allied competitors, its goal is instead being achieved by in-house research or joint ventures and tie-ups with established companies.

"We must promote the division of labour with the newly industrialised countries (NICs) and promote joint ventures with European companies. Otherwise it will be difficult to survive," says Fukuhara. "Mergers and acquisitions provide no pluses or minuses to the national economy. It certainly hasn't revitalised the US economy," he says, with an audible trace of irony.

Although the company is behind schedule on its shift of production overseas, it has increased its overseas manufacturing by 14 per cent per year, in dollar terms, over the past three years. It is acutely aware of the growing problem of unemployment at home, however, and says that it remains committed to preserving its own 60,000 jobs as well as the livelihood of its 500 suppliers. So far, it says, none of those suppliers has gone out of business.

Those jobs will best be saved by supplying local factories with new products coming from a much wider area than consumer electronics. The company is now concentrating its capital spending and R&D efforts on four main areas: office automation, factory automation, semi-conductor technology and audio/visual sectors. Indeed, non-consumer products already account for about 30 per cent of total sales. But most important, each of the four areas overlaps and feeds on the other.

Backing up the development of these areas is continually increased R&D spending. Despite the fall in the yen and the drop in profits (profits were down 35 per cent in 1986 and 25 per cent in the recent four-month reporting period ending in March), R&D spending has been allowed to surge ahead, between 1984 and 1986, it increased by 25 per cent to



Y250bn. Its ratio to sales climbed from 4.2 to 5.75 per cent.

Matsushita remains reluctant to spell out specifics in the competitive area of new product development. Executives talk about scaling down office equipment for use in the home, about marrying computer functions in easy-to-use home appliances, and other cross-hatching products.

However, Matsushita is not known as an innovator within Japanese industry, but rather as an efficient manufacturer with immense marketing muscle. But Dr Shigeru Hayakawa, senior managing director in charge of research and development, says being first is now a top priority and he provides some clues as to where future firsts will come from.

One area that Matsushita is anxious to move in front is the embattled semiconductor sector. About 70 per cent of the company's R & D budget is now devoted to the four core areas listed earlier. (The rest is divided among home appliances, batteries and other areas.) Within that 70 per cent, semiconductor technology gets a commanding one-third of the total budget. Chips, according to Hayakawa, hold the key to product innovation and those

first with new chips will be first with new products. Indeed, computers have already become a major source of revenue for Matsushita and will continue to grow.

Hayakawa points out that Matsushita is currently ranked fifth in the Japanese semiconductor industry, which has surpassed the US as the largest in the world. "Our target is, within a few years, to be number three," he says. His comments, like the president's (see panel), give little ground to the anger in the US and Europe about Japan's alleged dumping of semiconductors and electronic products in overseas markets. Semiconductors, the electronic heartbeat in gadgets from home bakeries to computers, are the key to the company's orientation toward applied, development research.

Indeed, the international storm over Japan's trade imbalance with the West rages far from the streets of Moriguchi. Despite the increased levels of hectoring by the government for companies to import more from abroad, Matsushita's ratio of imports is still tiny. It is clear that the executives of Matsushita feel their first patriotic duty is to the employees of their company, and only second to their government.

The skewer system

AKIO TANII, 59, a career Matsushita man appointed president last year, says that the secret of Japan's industrial strength through difficult times is its single-minded devotion to its core businesses. The high yen is accelerating change, but not Japan's fundamental approach to business.

Despite Matsushita's increasing dispersal of production sites to cheaper overseas locations, Tanii does not expect that Matsushita will become multinational in the American sense. Research and development, the key to the company's long-term survival, and what he calls strategic decision-making, will remain centred in Japan. Overseas operations, will follow Osaka's tune.

A short, stocky, self-confident man, Tanii is proud of his company's achievements, but shows no sense of complacency.

Using what he calls his skewer system, he ensures that the advances in one department can and are applied in another. "By running a skewer through all the manufacturing divisions, for example, I can increase strategic decision-making at headquarters. This way I can keep the divisions independent, but provide more unity to the company," he says.

"Another secret is our concentration of effort (in applied research). As a result, we can come up with a creative product which can make a new market. In European industry, their eyesight is rather short and limited. They only try to keep their existing market and never try to extend it," he says.

Take the microwave oven, he says. Home-use for the microwave oven was invented here (in Japan) and the market was created here. We started from scratch making sales channels and persuading the consumer to buy it. And now European countries are complaining, he says, referring to the proposal for anti-dumping duties on Japanese microwave ovens by the European Commission.

Before they take those measures, I want the EC to appreciate our effort to create products and markets from scratch. The VCR was another one... he says, and then looking at his translator, he asks: "Did I speak too much?"

Why diversifying is bad news

BY CHRISTOPHER LORENZ

FOR OVER 30 years, CBS and General Mills were two of America's most predatory corporate giants. Between 1950 and 1980 they made 54 and 88 acquisitions respectively. But by last year they had divested themselves of the vast majority, by no means always profitably; CBS (in broadcasting and entertainment) sold almost 90 per cent of its new portfolio, and General Mills (packaged goods and retailing) three-quarters.

The two companies epitomise a post-war diversification record among large US corporations that is "dismal," complains Michael Porter, professor of business administration at the Harvard Business School.

The corporate strategies of most companies have dissipated instead of created shareholder value," Porter reports in the latest edition of the Harvard Business Review. "The need to rethink corporate strategy could hardly be more urgent."

The general conclusions of Porter's massive, pathfinding study of the diversification records of 33 large US companies between 1950-86 were first revealed on this page six months ago (December 9), when the research was still unpublished. Now, in a long article which contains all the story details, each company's performance, he points the finger at the worst offenders, and draws lessons from the few successful diversifiers.

The top 13 diversifiers over the period were CBS (87 per cent of its acquisitions), RCA and Cummins Engine (both 80 per cent), Gulf & Western (79 per cent), General Mills (75 per cent), Continental Group and Xerox (71 per cent), Westinghouse (65 per cent), Wickes (67 per cent), General Electric, W. R. Grace, ALCO Standard and Signal (all 65 per cent).

At the opposite end of the spectrum, the most successful acquirers were Johnson and Johnson, Procter and Gamble and Raytheon (only 17 per cent divested), followed by United Technologies (25 per cent), 3M (26 per cent), and TRW (27 per cent).

One of the main differences between the good and bad diversifiers was that a disproportionately high number of successful takeovers was of businesses where the acquirer could transfer skills or share important activities (such as supply or distribution).

Successful acquirers diversify into related fields, Porter reports. "Procter and Gamble and IBM, for example, operate in 15 and 19 inter-related fields respectively." Even successful diversifiers such as 3M, IBM and TRW "have terrible records when they have strayed into unrelated acquisitions."

Among Porter's extensive advice on how to avoid diversification pitfalls is the unconventional statement that starting a new business from scratch tends to be more successful than either acquisitions or joint ventures. Start-ups and joint ventures were both included in the 36-year study, and Porter concludes that "when a company has the internal strength to start up a unit, it can be safer and less costly to launch a company than to rely solely on an acquisition and then have to deal with the problem of integration. Japanese diversification histories support the soundness of start-up as an alternative to entry."

Acknowledging that there are exceptions to the generally poor record of post-war acquisitions, Porter credits Britain's Hanson Trust as being an unusually competent performer of a form of takeover strategy known as "restructuring" — the revitalisation of underdeveloped, sick or threatened organisations and their subsequent sale at a profit.

But Porter concludes that "it's too early to tell whether Hanson will adhere to the last tenet of restructuring — selling turn-around units once the results are clear. If it succumbs to the allure of bigness (in any particular industry), Hanson may take the course of the failed US conglomerates."

* From competitive advantage to corporate strategy, HBR May-June 87, Reprint No 87307, From HBR tel 617-495-6192, telex 7103210073 (both US).

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Bychkov/Festival Hall

Richard Fairman

Of all the rising stars in the musical firmament, none is rising faster at the moment than the 35-year-old conductor Sergey Bychkov. To date his career has been built largely on successes in the USA and Germany, most notably with the Berlin Philharmonic, but a growing friendship with the Philharmonia is currently yielding a few concerts in London, the most recent of which on Friday night was sponsored by the Financial Times.

To music Bychkov comes Russian-born and Russian-bred. There is a daemonic strain in the national response to musical expression which is unmistakable. In the past conductors such as Mirvisky and, to a lesser extent, Svetlanov have usually asked to attack their music with this level of intensity — it is not their natural way of playing and they did not sound entirely happy with it — but for the most part Bychkov has fully imposed his own high-tension, highly emotive style. When the electricity is turned right up, this is a real show-piece.

In Schumann's Piano Concerto he equally proved a helpful and unobtrusive partner, allowing Alicia de Larrocha to shape her own performance without interference. The pianist has long had the measure of this Concerto easily within her grasp. The two sides of the composer's personality — his "Florestan" and "Eusebius" — were held in a fine balance, and if just occasionally she gave the dramatic Florestan his head and allowed the piano tone to become clangorous, it was not enough to disturb enjoyment of the whole.

Earlier Bychkov's Strauss had been less appealing. The so-called Suite from *Der Rosenkavalier*, a selection of favourite bits from the score thrown together by some unknown hand with no feeling for overall shape or key relationships, has always seemed to me an unattractive pot-pourri at the best of times, but it needs a lighter and easier touch to bring it off than it had here.

By coincidence Saturday's concert, part of the Festival of German Arts, followed up with another operatic selection. This time it was Wagner's *Die Walküre*, served as seven symphonic fragments, which work rather better as a concert item. Horst Stein directed the Berlin Radio Symphony Orchestra in the same sturdy, no-nonsense fashion with which he leads his performances at Bayreuth. And in the Immolation scene from *Götterdämmerung* Gabriele Schnaut improved somewhat on her recent Bayreuth outings, less thick tone and wobble, more straightforward attack. A hall full of Wagnerians noisily demanded, and got, an encore.

Sister Aimee/Britten Theatre

Max Loppert

The Royal College of Music contribution to the London International Opera Festival consists of two performances of *Sister Aimee*, the short chamber opera (1984) by Odaline de la Martinez. The conductor of Lontano is, of course, a familiar figure on London concert platforms, but before Thursday's performance her work as a composer had been less fully exposed.

This "American Legend," based by librettist John Whiting on the life of Aimee Semple McPherson, is a slim collection of five scenes in which the rise and fall (and scandal) of the evangelist is charted. The idiom of the verbal language is the hypocritically passionate, repetitive cadence (rhythmed for greater impact where needed) of the American fundamentalist preacher — the libretto is an atmospheric, concise piece of writing. And the language of the music is very much in style with the words: hymn-like choral refrains, punctuated, with arpeggios for solo voice applied into them above the scrunchy harmonies of a church organ; a falling orchestral bass line adds dramatic irony, and the careful intermittent incursion of a brass chorale points the shape of the set pieces. The modulation from

sung to spoken text is gauged to give sermon-style impact to the scenes.

The whole subject of popular American evangelists and their equivocal moral standards being, of course, very much in the news just now, one longed to see a more fully developed piece of music-theatre. The seed of such a piece is there — as I have suggested, care has been successfully taken over the delineation of atmosphere — but it has not been germinated. In any real lyric-theatre drama, there is almost no music in the piece to articulate the drama; nice ideas and frail sketches are all we really seem to see and hear.

The performance in the wonderful new Britten Theatre was confident and spirited — intelligent production by John Abulafia, authoritative musical direction by Anne Manson, an attractively rounded title role portrayal by Jennifer Barnes, several excellent supporting cameos (though the role of the cynical reporter is one long cliché, Philip Sheffield made much of it). The whole work lasted just over an hour, and when it was over one felt that hardly anything at all had happened.

Pomp, Virtue and Decorum at the Tate

An exhibition dedicated to the emergence of a British School of painting during the first half of the 18th century will run at the Tate Gallery from October 12 to January 3, 1988.

The period coincides with the life of Hogarth, who will be represented by over 30 works. There will also be some early works by Gainsborough and Reynolds, and other contemporaries of Hogarth's such as Gainsborough, Hayman and Ramsay.

LFB sponsorship

London Festival Ballet has raised sponsorship of £345,000 to enable it to hold its Summer Season at the Coliseum from July 7-18 and the Royal Festival Hall, July 28-August 15.

Royal Gala sponsors on July 7 and July 13 are Omega Watch Company and The Royal Academy of Dancing respectively. New production sponsors include the Alan and Laraine Fischer Foundation, Bankers Trust Company, Royal Mail Parcels and Terry Murphy (Scenery) Limited.

Architecture/Colin Amery

Missed opportunity at the RA

It has to be said, with a degree of sadness, that the annual Royal Academy Summer Exhibition does not fulfil its potential for architecture. There are some 16 architect academics or associate academicians. Some of them are the senior members of that beleaguered profession and in a position to give a direction to the formation of public taste and awareness. After the successful display of the work of Stirling, Rogers and Foster that stimulated the public appetite for architectural enlightenment it would have been marvellous if the dreary pattern of hanging and selection for the architecture room had been broken. A perfect opportunity has been missed. Of the 140 or so exhibits fewer than about 30 merit much more than a second glance. This seems to me to be a great shame and can only reflect poorly on both the profession and the selectors.

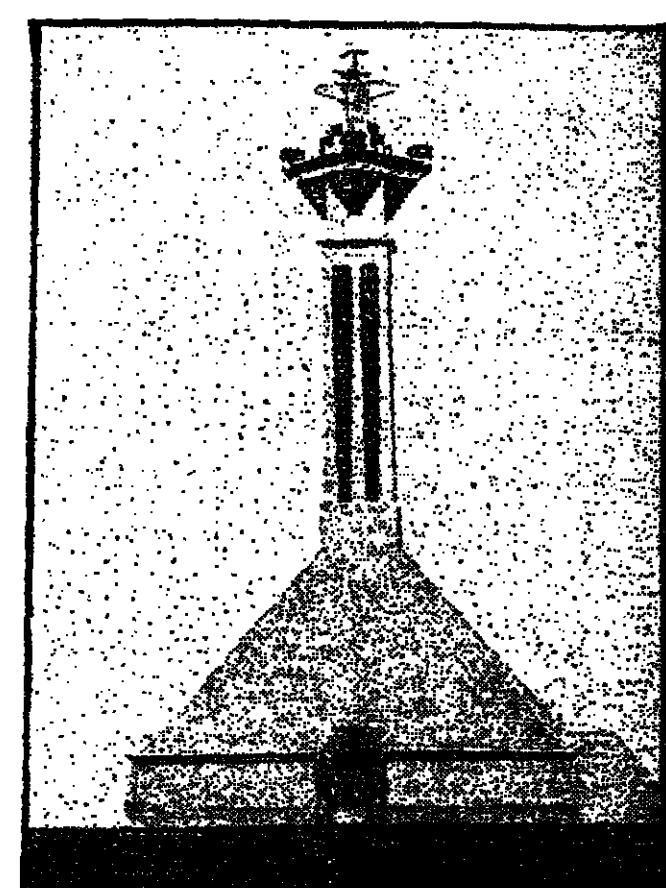
In the centre of the Gallery VI is Norman Foster's 3 ft scale model of the space frame support for Stansted Airport. As one visitor remarked it looks exactly like a revolving washing line. However, it should be looked at in association with the drawing of the restoration of Tobacco Dock where the self-same 19th-century structural system can be seen in timber.

I doubt whether many visitors to the RA will be prepared to work out exactly how the Stansted Airport will look or work. It seems clear that once the judges have selected what is to be shown they should ask the architects to mount a display that accurately and clearly explains what the new building or project is, how it is to work, and tell the visitor something about the whole scheme. It is worse than useless, as far as the public is concerned, to look at a framed sketch or cryptically abstract model, which is shown with little or nothing beyond the title. Even if every drawing shown was a work of art the viewer still has a need for some detail and explanation.

The supermarket and the garden are two recurring elements in this year's show. It is not clear whether one is an escape from the other but there is certainly a curious concordance. Carolyn Lourens has produced a cork and copper model that is entitled *Experimental Supermarket Facade* while Dominic Wilson is concerned about the presence of a supermarket next to a church in Wolverhampton.

Goodhart-Rendel is now better known for his writings than for his buildings. His *English Architecture since the Regency* (published as early as 1953) really began the reappraisal of Victorian architects. This exhibition of his drawings corrects the impression that he was more a critic than an architect. It shows that buildings like Hays Wharf on the Thames, the design for Prinkash Abbey and the completed church of the Holy Trinity in Bernersley show he was an original designer.

He is in the same league as Lethaby — avoiding pseudo-anti-quarianism and attempting to be beyond both modernism and traditionalism. Although he always said that his interests were the Roman Catholic Church (he was a convert), the Brigade of Guards (he wrote *A Squad Drill Primer*), and music-making architecture was his major preoccupation of his life. He lived at Hatchlands in Surrey and in a villa in Valence in the South of France. He was a gentleman architect



Vision or lunacy A project for a memorial to the Battle of Britain to dominate London's docklands

supreme — any drawing by him would be a rewarding investment. The Summer Exhibition runs until August 23.

— but not an amateur. His position gave him a healthy detachment that we can see today produced some original and puzzling buildings.

A far more rewarding time can be spent in London at the Architectural Association, rather than at the R.A. A century exhibition of that fascinating and discriminating architect H.S. Goodhart-Rendel is on the first floor, accompanied by Alan Power's informative and elegant catalogue. On the ground floor there is a telling display of the work of a young architect Eva Jiricna. I suspect that Harry Goodhart-Rendel, who died in 1959, would have been sympathetic to the work of the enchanting Miss Jiricna. Her story is a brave one. She escaped from her native Czechoslovakia by risking her life and limb at the most dangerous time politically. She has made her way in England entirely from scratch — and her work has a strength and clarity that raises it above the merely fashionable high-tech. You can see her interiors at Harrods, in a variety of shops and her furniture deserves to be better known.

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This is the first year of the National Art Collections Fund Awards (sponsored by Slough Estates plc) and apart from honouring the generosity of John Paul Getty Jr the judges gave one of the five other prizes to Charles Brooking, until now the virtually unsung hero of the conservation movement. Not for Mr Brooking the polemics of preservation politics — since he was six he has rescued elements and fragments from buildings of all periods as they have been demolished. The result is a collection that is as manic as it is comprehensive. He has, for example, virtually every known form of glazing bar, fireplace, door, window, cornice, fanlight — as well as a complementary library of trade literature, pattern books and catalogues.

It is a unique collection, the result of one man's dedication, and it is looking for a home and for funds to make it available to all those engaged in the accurate restoration of old buildings. That English Heritage and the National Trust have yet to offer a home and funds is a great shame. The recognition of the NACF shows how an imaginative award can bring a loner into the limelight.

Lord Gowrie to head Serpentine Gallery trustees

Following the decision last year that the Arts Council would cease to run the Serpentine Gallery, Lord Gowrie, chairman of Sotheby's in London and former Minister for the Arts, has been invited to be chairman of the Gallery's trustees.

When constituted, the Serpentine Trustees will assume responsibility for the building and its exhibitions with the Arts Council continuing to fund it by grant plus the possibility of financial support from the Westminster City Council.

A Small Family Business/Olivier

Michael Coveney

In Alan Ayckbourn's brilliant new play for the National Theatre in the Olivier auditorium, a nation of shopkeepers is becoming a nation of shoplifters; the family furniture firm, Ayres and Grace, is falling into the hands of an Italian mafia and the drug dealing business; and everyone is on the edge, or "salting it away," to quote a phrase that recurs like a smug refrain, a limp apology, throughout the evening.

Two parties top and tail the action: the first to celebrate Jack's (Michael Gambon) arrival in the business from frozen food, the second to salute his father-in-law's 75th birthday. Old Ken Ayres (Ron Pember) does not remember who anyone is any more, but wants Jack to flush out the corruption. His family produce has been appearing on foreign markets under different jangle names. The handover coincides with family trouble. Jack's daughter, Samantha, has been spotted shoplifting £250 worth of goods. A private investigator calls ply of thunderclaps and hostile slamming doors.

Jack is an honest lad (hitherto) with a devoted wife Polly (Polly Adams) and two daughters. The incidently rebellious Samantha (Susan Sylvester) and the suburban carbon copy of Polly, Tina, whom Diane Bull presents with a London overspill whine of chilling exultation and a hip-swivelling crooked-drying technique that suggest years of domesticated inbreeding.

Ayckbourn elaborates the tragicomic consequences of moral and domestic laissez-faire in the awakening Gambon's double-glazed and lumber Jack to the realities of life. His family is horrified at his ejection of the private investigator on a matter of principle. Before long, though, the stench rises from a can of worms and Jack cuts and trims his principles in a farcical Italian connection of sexually insatiable businessmen and the importunate, corruptible Inspector Hough (Simon Cadell).

This is the third product of the NT company under Ayckbourn's direction and it neatly summarises the farcical flair of the first (*Yons of Money*) and the social and fondal bloodbath of the second (*A View From the Bridge*). We have murder and mayhem, cover-ups and sexual deviation, even the Aldwych farce trick of a horde of funny foreigners — macho meditation men — played by the one actor, Michael Simkins.

The play's opening, the funniest I've seen in years, books us sympathetically into the fortunes of Jack as he spools the blacked-out party reception by

interpreting his wife's special attire as an invitation to early evening slap and tickle. The great groping Gambon adopts his familiar (to Polly) persona of a rapacious Viking — "Hairy Eric with his big meaty axe" — and drops his trousers as the party lights come up.

Jack's forward propulsion and open demeanour are checked and clouded by every sort of revelation, from his wife's admission to lifting the odd paperclip from work to brother-in-law Des's surreptitiously funded plans for running a holiday complex in the Balearics. Des (John Arthur) is a compulsive foodie, cooking sabbatical by Parlophone instruction while his anorexic, furtive wife (Marcia Warren) pours scorn on all public mastication in restaurants and directs what remains of her capacity for emotional demonstrativeness at a dismal, balding little dog.

Ayckbourn has previously used split level, multiple settings to switch a narrative coin or re-cap on simultaneous activity. Here, Alan Tagg's wonderful beige tribute to suburban interior design, the stage resembles featureless DIY doll's house — a liberating visual excuse for continuous mobility of story and effect.

Gambon charging between four houses like a raging bull, conducting impassioned interviews in bathrooms, bedrooms and hideous pink-lit lounges where the "Pastoral" Symphony is blared out on compact disc.

Character symbol of the suburban good life is Russell Dixon's piggy Cliff. Jack's brother, who relishes his Porsche and single malt, his

little boat and his darts at the expense of all meaningful contact with the living. His wife Anita (Elizabeth Bell) has replaced him in the bedroom with her louché wardrobe, whips, manacles and endless lovers. Cliff, with his cutaway driving gloves and emblazoned cardigans, is one of Ayckbourn's most savagely enjoyable creations, and probably an embarrassing challenge to a goodly proportion of the National's local audience.

Ayckbourn has established himself with his three latest NT productions, as one of our most distinguished directors. The performance he has elicited from Simon Cadell, the hunched and sordid, Hough, is not only extraordinary in itself, but a real advance for this talented but manneristic actor. You can smell Cadell's Hough at 50 metres. He, above all, is the figure of our times, an odious middleman who claws his way into favour with a mildewed sense of general propriety to which he unctuously relates his pornographic little endeavours. Cadell scrapes around in a moustache and oversized suit-trouser bottom ignominiously observing his shoes — like a bestial perversity of a peculiarly English variety.

The particular strength of Ayckbourn's idiosyncratic vision is its depiction of a world he despises but which, none the less, is the only world he is prepared to inhabit. The obsession is reflected in the precise use of a language which never gets above itself. Even the odd comic flight into imagery is part of this vision, controlled and domesticated. A



Michael Gambon and Polly Adams

Triple bill/Donmar Warehouse

David Murray

Though there is a certain fortuitousness about the "London International Opera Festival" — it is an umbrella that stretches to include various things that would have happened anyway — it's a good idea about St George and the Bold Slesher is yoked to the, not merely for promoting affordable performances in this desperately expensive art form, but for encouraging contemporary work that doesn't resemble grand stanzas or Wagner-size orchestras. Last week's contribution to the Festival by Endymion Music Theatre was an intelligently chosen trio of one-acters from Monteverdi to a new Michael Nyman production.

Not so new as Nyman, but considerably fresher, was Harri-

son Birtwistle's *Down by the Greenwood Side*. In fact the text is by Nyman, joyfully devised to answer Birtwistle's peculiar taste for treating folk-myths as aesthetic objects: here an old Mummers' play about St George and the Bold Slesher is yoked to the, not merely for promoting affordable performances in this desperately expensive art form, but for encouraging contemporary work that doesn't resemble grand stanzas or Wagner-size orchestras. Last week's contribution to the Festival by Endymion Music Theatre was an intelligently chosen trio of one-acters from Monteverdi to a new Michael Nyman production.

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Arts Guide

Music

LONDON

Nathan Milstein, violin, Bach, Beethoven and Milstein arrangements. Royal Festival Hall (Mon), (023 3191).

Royal Philharmonic Orchestra conducted by Pinchas Zukerman, violin with Shlomo Mintz violin and viola. Bach, Mozart and Beethoven. Royal Festival Hall (Tue)

Berlin Philharmonic Orchestra conducted by Herbert von Karajan. Brahms. Royal Festival Hall (Wed).

London Mozart Players conducted by Jane Glover. Mozart, Dittersdorf and Haydn. Queen Elizabeth Hall (Wed), (023 3191).

Philharmonia Orchestra conducted by Sir Colin Davis with Rudi Lipp, piano. Brahms and Vaughan Williams. Royal Festival Hall (Thur).

London Symphony Orchestra conducted by Paul McCreesh with Joanna McGreggor, piano. Beethoven, Grieg, Dvořák. Barbican Hall (030 8691).

PARIS

Jean Sutherland, soprano, Richard Bonynge, piano (Mon), Paris Opéra (4142 6772).

Ensemble Orchestral de Paris conducted by Armin Jordan, Jean-Fr-

erre Waller, violin, Philip Bride, violin solo: Ravel, Saint-Saëns, Roussel (Tue), Salle Pleyel.

Pierre Housman, violin, Giuliana Gull, piano: Mahler, Brahms, Beethoven (Tue), Salle Gaveaux.

Rossini, Berlioz, Beethoven played by the French Oratorio Choir and Orchestra (Wed), Saint-Roch Church.

Hommage to Ravel — Chamber music: Quatuor Alain Berg, Radio France Choir, Bruno Rigutto, Gabriel Tranchesi, piano, Theodor Paraskivskis, piano (Mon 8.30pm). L'Heure Espagnole, one-act opera in concert version performed by the Lyons National Orchestra conducted by Serge Brusa (Tue, Wed 8.30pm). Ravel Melodies (Thur 8.30pm), TMF-Châtellet (4233 4444).

Orchestre de Paris in co-production with the Ensemble Intercontemporain conducted by Myung Whun Chung, Pierre Aronov, violin: Igor Stravinsky (Thur), Salle Pleyel.

Paris Opéra Soloists' Concert: Mozart, Handel, Haydn (Thur), Opéra Comique.

NETHERLANDS

The Hague, Congressgebouw. The Hague Philharmonic conducted by Michel Flanagan, with Christian

Zacharias, piano: Von Weber, Beethoven, Chausson (Thur), (04 90 00).

The Netherlands Philharmonic with choir and vocalists in a Beethoven concert conducted by Anton Kersjes. Wed in Amsterdam, Concertgebouw (71 83 45), Thur in Utrecht, Vredenburg (51 45 44).

A Steve Reich concert (Desert Music and Tehillim) with Reinbert de Leeuw conducting the Schöenberg Ensemble, The Hague Percussion Group, the RBC Singers and vocalists. Mon in Amsterdam, Concertgebouw (225 225), Tue in The Hague, Royal Conservatory (01 42 51).

NEW YORK

Joffrey Concerts (IBM Gallery): Ocean Wind Trio, Haydn, Mozart, Strauss (Wed, 12.30). 50th & Madison.

WASHINGTON

National Symphony (Concert Hall): Last concert of the season Matias Rostropovich conducting and Choral Arts Society of Washington directed by Norman Scribner. All-British programme (Tue), Kennedy Center (254 3770).

Gershwin Celebration (Opera House): Two musical collaborations by the Gershwin brothers, Ira and George. Of Thee I Sing and Letem Eat

Cake, are performed as concert featuring Maureen McGovern and John Gensky. Ends June 13. Kennedy Center.

CHICAGO

Chicago Symphony (Orchestra Hall): Last concert of the season Klaus Tennstedt conducting. Mahler (Thur), (465 8111).

TOKYO

Reiko Sato, piano, Bach, Beethoven, Schumann. Tokyo Banka Kaikan, Recital Hall (Tue), (232 1016).

Takashi Kitamura, tenor, Nana Hamaguchi, Beethoven, Luthers Inghaya Centre (Tue), (373 3536).

NHK Symphony Orchestra conducted by Yoichi Maizumi, with Tefko Mas-

bashi, violin and Hiroko Nakamura, piano. Stravinsky, Beethoven, Bruch. Suntory Hall (Wed), (393 0600).

Vienna Clarinet Ensemble. All-Mozart programme. Tokyo Banka Kaikan Recital Hall (Wed), (449 8677, 8651).

Japan Philharmonic Symphony Orchestra, conducted by Akio Watanabe, with Kei Iino, piano and Naomi Imai, organ. Mozart, Saint-Saëns, Beethoven. Suntory Hall (Thur), (234 5811).

Saleroom/Antony Thorncroft

Small is beautiful

Asked to name one painter of miniatures many would manage to drag up "Nicholas Hilliard." A rare signed portrait by this Elizabethan master is on offer at Sotheby's today. It portrays a "Nobleman, Aged 33," and is remarkable for its fine condition and the fact that it dates to 1572, at the start of Hilliard's career when he was influenced by the French tradition.

A price of around £40,000 has been estimated for this tiny work of art, just 3.8 cm in diameter. Not all "miniatures" are quite so small. In the same sale Sotheby's is offering a portrait of a lady by Robert Thurnburn, painted around 1840, and measuring 15.5 cm high. It is a pretty piece and should make at least £2,500.

Modern British pictures have been fetching extraordinary prices at auction in recent months and Christie's is competing with the General Election on Thursday by mounting

a good sale. Among the portraits is one of Lady Evelyn Herbert by Sir John Lavery. Lady Evelyn was the daughter of Lord Carnarvon who financed the excavation of the tomb of Tutankhamun. She was one of the first to enter the treasure trove. Two other artists commanding recent record prices are on offer — Sir Alfred Munnings and Dorothea Sharp.

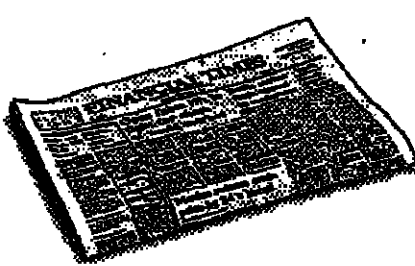
This is "Chinese" week in London. Both Sotheby's and Christie's are mounting good sales to attract the collectors here for the International Ceramics Fair and Seminar at the Dorchester. At Sotheby's a 15th century Ming blue and white decorated "fruit bowl," which was brought into the auction house by an owner quite unaware of its value, could make him £45,000 richer. More expensive still will be two large Tang pottery horses which decorated the Paris mansion of the late Mona, Countess Bismarck. They should fetch around £250,000 each.

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Monday June 8 1987

The lessons of Marshall

THE fortieth anniversary of the Marshall Plan last week served as a rather nostalgic reminder of the benefits of international economic co-operation. It came on the eve of an economic summit in Venice which evokes universal low expectations. Yet the world confronts a dismal and challenging economic prospect, in the shape of sluggish growth, huge trade imbalances, growing pressure for protection and an overhang of debt. These are precisely the things the summit process is designed to address. So why is it that the aspirations of General George Marshall and of subsequent proponents of international economic co-operation find so little echo in policy today?

The short answer is that the world was a less complex place 40 years ago. The United States presided over the strongest economy in the world; sterling's eclipse in favour of the dollar in the international monetary system accurately reflected political reality. With trade accounting for a relatively small proportion of gross national product, the US could afford to promote a liberal international economic order without alienating powerful lobbies at home. Above all, there was a measure of consensus on the ends and means of economic management. Politicians and bureaucrats were held in check by Keynes. None of this holds true today. While the US remains a superpower, West Germany and Japan have the economic muscle to demand a wider say in the global debate. There has been a shift to a multi-currency system, and economic interdependence exerts greater influence on the US, even if its policy makers have not always acknowledged the fact.

Fiscal expansion

Meanwhile, the theoretical framework in which policy evolves is no better than a muddle. The US under the guise of supply side economics, has been conducting an experiment in global Keynesianism without consulting its partners around the globe. By spending more than they earn, the Americans have pulled the world out of a severe recession at the cost of running up unmanageable budget and trade deficits.

The Japanese are reluctant converts to fiscal expansion, while retaining a thoroughly mercantile attitude to trade.

And the West Germans risk some harsh treatment in Venice because of their obsessive desire to wear a fiscal and monetary hair shirt, as they fight the anti-inflationary battles of the 1980s. Summits can only work when heads of government share common perceptions about the nature of the problems and the means of resolving them. No doubt Venice will produce some reassuring statements on the political situation because the summit countries are closer to each other on arms control than they are on economic policy. But whatever the communiqué declares in the way of commitments to co-operative economic management, objective indicators and the rest, the fact remains that the political obstacles which lie behind the present stalemate are formidable.

Trade deficit

It is not simply that President Reagan is reluctant to address his budget deficit by raising taxes, or that Mr Kohl is a die-in-the-wool financial conservative. There are profound problems of political structure, most notably in Japan, where landed and agricultural interests are so entrenched in the ruling Liberal Democratic Party as to preclude those reforms that most Japanese officials now concede are necessary.

If there is any lesson to be learned from the Marshall Plan in present circumstances, it is surely that too much of the burden of adjustment in the global system should not be allowed to fall on countries that are in trade deficit and overburdened with debt. And it should also be remembered that the US readiness to maintain open markets was quite as important as the capital outflow promoted by General Marshall.

Admittedly there is now more than a glimmering of acceptance on the part of the Japanese that they owe a responsibility to the indebted Third World, which has largely been neutered as a source of demand in the world economy. But in the absence of a far greater commitment on the part of surplus countries to ease their imports and shift the emphasis of demand away from exports, it will be left to the financial markets to impose increasingly heavy shocks on the system in order to break the policy gridlock.

Civil Service discontents

THE two Civil Service unions that have called a national strike for today and tomorrow seem, at first sight, to have played straight into Mrs Thatcher's hands for the last three days of her re-election campaign.

It is not just that there will be some disruption of public services. There is also a seam of political extremism to be exposed by Conservative and Alliance propagandists. Before the results of the strike ballot were declared last week, Trotskyists and Militant Tendency supporters swept back to power on the national executive committee of the clerical staff union, the Civil and Public Services Association. Another Militant supporter, Mr John Macrae, had just been elected deputy general secretary.

It looks like a gift to Labour opponents. Leave aside the fact that the CPSA is not affiliated to the Labour Party (at least not yet). Here is the march of the militants to prove that the hard Left flourishes in spite of all Mr Kinnoch's promises to contain it. Mrs Thatcher has already implied that a Labour Government after Thursday would settle the dispute by caving in to the Left's pay demands over beer and sandwiches at Number Ten.

The truth of the matter is not so simple. The campaign of disruption over a 4.25 per cent pay offer rejected by the two largest civil service unions is not a Far Left plot. It is evidence that the outgoing administration has been more successful in managing its own personnel relations than its predecessors.

The Left takeover at the CPSA may reflect a revival of militancy in the lower echelons of the service, but is not of itself very instructive. This union of young, low-paid and transient employees has for many years been a political kindergarten—noisy, volatile and unwieldy—where some leading Left-wingers are actually more moderate than the Right. Last week's internal row about the general secretary's powers of appointment was fairly typical of life at the top of the CPSA.

Recent industrial action, today's strike and the regional dis-

ruption promised for the rest of the month are extensions of a pre-text over pay. The CPSA and the middle-management Society of Civil and Public Servants have refused to follow senior unionised staff and Civil Service specialists such as scientists in accepting a salary system based more on merit and market circumstances.

That is a serious setback for a sensible initiative: there is no natural law that says national bureaucracies must apply uniform scales of pay if variable rewards can create a more efficient public service.

Perennial problem

But pay reform, especially in the traditionalist and highly-unionised public sector, can only be secured by adept management and goodwill. It seems both have been lacking in the past eight years. The perennial problem of poor working conditions has not been overcome, and the manner in which 50,000 jobs were removed—by departmental quota rather than by careful examination of functions—has further depressed morale. Labour's programme for the Civil Service promises to restore the 50,000 jobs over two or three years, to add another 10,000 training places, and to send the present pay dispute to arbitration. Party spokesmen claim that most of his job creation would pay for itself, in more efficient collection of taxes and disbursement of benefits. But even if their sums were correct, this would be a very partial answer to present grievances.

Today, just as in the past, the Civil Service problem is one of management not merely one of money. No doubt all the political parties will seek to make capital out of the current discontents in the remaining days of the election campaign. But like so many other issues which have been debated between the parties, this one does not lend itself to simple slogans. How to manage the Civil Service efficiently, how to implement a sensible pay and promotion structure which provides the right incentives and improved morale—these are difficult problems on which the Thatcher government has made some limited progress, but there is still a long way to go.

Stewart Fleming, Philip Stephens and John Wyles at the opening of the Venice summit

Many leaders, but a lack of leadership

POLITICAL HYPE and extravagant media attention have traditionally focused unreasonable expectations on world economic summits. Perhaps, however, the disappointments of past years are now beginning to weigh more heavily.

Certainly, this year's two-and-a-half day gathering in Venice, which opens this evening with discussions over dinner in the sixteenth century Ca' Grande, seems to carry fewer hopes than most of its predecessors.

Partly this is because the political authority of all seven leading participants has been muted for one reason or another. Partly it is because the world's seven leading industrialised countries have barely begun to develop a collective strategy for dealing with growing economic and political problems.

President Ronald Reagan, by his office the natural leader of the West, arrives in Venice the most seriously handicapped. His domestic credibility is gravely diminished by the Iran-Contra scandal and national attention is increasingly focusing on finding a new president and electing a new Congress in 1988.

Neither Japan's Prime Minister, Mr Yasuhiro Nakasone, nor Mr Amintore Fanfani, Italy's caretaker Prime Minister, who is hosting the gathering, are expected to see out the year in their present positions. But both are deeply concerned about the Gulf. The President's abilities have come further into question.

This crucial sense of fading leadership—Chancellor Kohl has lost regional West German elections, Mr Thatcher is sacrificing less than a day of his re-election bid to be at the summit and Mr Brian Mulroney of Canada is sinking in the opinion polls—does not encourage optimism over the summit's prospects.

The challenge is clear: the seven leaders must take at least a small step towards more collaborative economic and political relationships which would compensate for the relative weakness of the US economy.

In the arena of economic policy, evidence of forward momentum towards more co-operative leadership is urgently needed.

Enormous current account imbalances among the industrial countries are posing the most serious threat to world economic growth since the acceleration in US inflation and the second oil shock at the end of the last decade. The Organisation for Economic Co-operation and Development expects world growth of little more than 2 per cent this year and sees scarcely better prospects next year.

The foreign exchange markets are watching the outcome of the summit with anxiety. They fear that unless there is a major shift in policy—implying the US making substantial cuts in the budget deficit and Japan and West Germany significantly boosting growth rates—the dollar may fall much further.

The credibility problem is all the more acute because each participant recognises that Venice cannot yield substantive new initiatives beyond what was agreed in the Louvre accord in Paris last February, the first joint commitment by the major industrialised countries to currency stability. It was backed up by promises of co-ordinated economic policy

Current account imbalances pose the most serious threat since the last oil shock

initiatives and understandings about acceptable exchange rate fluctuations.

The extent to which these commitments have helped to stabilise the currency markets is a moot point. Stepped-up intervention by central banks has undoubtedly been a factor working towards currency stability. The fact that the industrial countries have provided the markets with some official leadership has also been a stabilising factor. So too has the Federal Reserve Board's demonstration that it is willing to raise interest rates to defend the dollar.

But follow through on domestic economic policy changes by the US, Japan and West Germany has lagged behind.

Japan has moved some way with its pre-summit announcement of a ¥8,000bn (¥400bn) package of expansionary measures.

The move has been cautiously welcomed by the other summit participants who can be expected, therefore, to refrain from "Japan bashing." But the

likely impact on Japanese growth, and Mr Nakasone's ability to push the package through an obstructive parliament, remain crucially uncertain.

West Germany has not even gone that far. Although its economic growth rate is expected to slow to perhaps only 1.5 per cent this year, the Bonn Government has resolutely refused to adopt expansionary measures ahead of a tax-cutting package planned for next January.

Mr Baker had been using the threat of dollar devaluation to pressure Japan and West Germany into adopting the macro-economic policies the US favours. Now, however, with the industrial countries including the US publicly committing themselves to currency stability, Mr Baker's leverage is diminished.

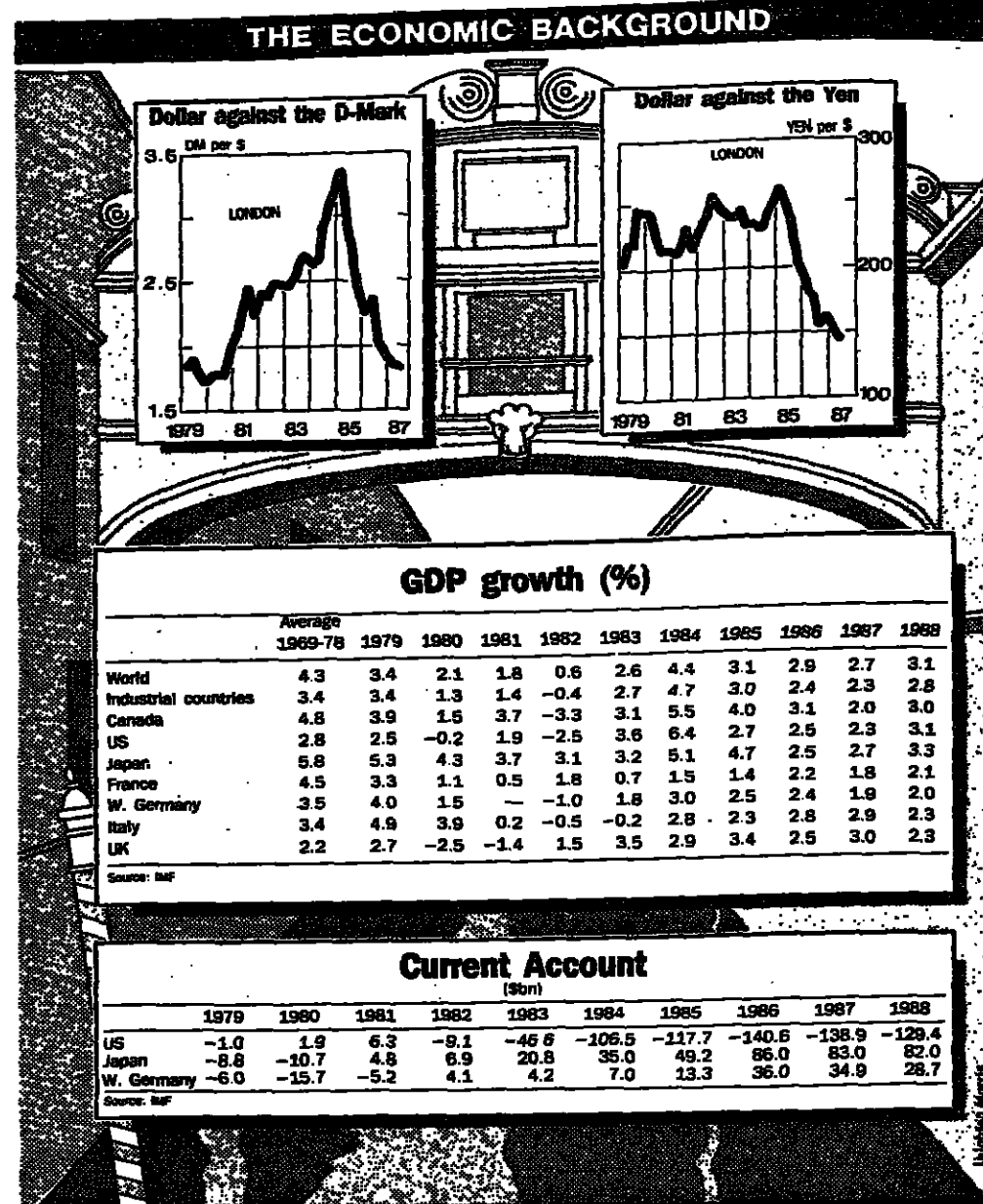
Even the Reagan Administration itself has had to resort simply to promising that the US budget deficit will decline by enough for it to claim that it is living up to its side of the bargain. The real confrontation on budget priorities between the administration and the Democratic Congress will not begin until next month. Were the White House to signal in Venice that it is ready to concede a significant increase in taxes to achieve a credible deficit reduction package, it would undermine its own negotiating position with its political adversaries in Washington.

Many suspect that some top advisers surrounding President Reagan including Mr James Baker, the Treasury Secretary, do indeed want to strike a deal. Whether the President can be convinced is a question which is subject to intense, but not well informed, speculation.

The summit's final communiqué will undoubtedly endorse the co-ordinated strategy to stabilise the dollar agreed in Paris.

But serious reconsideration of underlying economic policies will have to wait until the annual meeting of the International Monetary Fund in September. It will not be the first time summiters will have reached for such an escape hatch.

In the meantime, maintaining confidence in the dollar could prove even more difficult. President Reagan has thrown a shadow over the way forward. While raising the prospect of greater flexibility in dealing with the debt crisis, it leaves unanswered the problem of how to increase financial resources to debtor countries when commercial banks are still failing to provide the new



the task of building his credibility against a background of nervousness over Congressional moves to pass a protectionist trade bill, concern about inflationary pressures in the US economy and fears that recent increases in interest rates for a cease-fire backed with an embargo on the sale of arms.

On the other major foreign policy issue—the summit will tackle—arms control—the discussion may be smoother. The West German government's success last week in overcoming its internal divisions to endorse the "double zero option" should enable NATO foreign ministers to give broad backing to the US negotiating position at this meeting this week in Reykjavik.

Relative Allied unity on arms control, however, cannot conceal anxiety about President Reagan's leadership of the Alliance, which was so badly bruised by the near disaster at its Reykjavik summit with Mr Gorbachev and has been further harmed by revelation in the Iran-Contra hearings and by the disarray that has emerged in Washington over policy in the Gulf.

Aware of his weakening public image, Mr Reagan has begun to try to counter the propaganda campaign Mr Gorbachev has mounted in Europe.

So far, however, Mr Reagan has failed to get his message across. He is seen by European officials, as well as large segments of the general public, as lacking dynamism and competence and being out of tune with European preoccupations.

This European perception is, however, understated in Washington. A recent Congressional report on US-European relations concluded that over the past decade, "judging from West European reactions to US policies and measured against the goal of achieving a consensus in NATO the US has not been a very effective Alliance leader." To be so, it added, the US "needs to take into account European perspectives."

With Washington so preoccupied with its own economic problems, so intent on blaming its trading partners for its difficulties and with a weakened presidency, the summit will be hard-pressed to find convincing responses to the problems at hand. But since everyone involved needs a political success, the final communiqué can scarcely claim less.

Cake for all in Egypt

When Fawzi Metwalli, the Egyptian entrepreneur, staged the opera *Aida* in Luxor recently, he ran up against an almost immovable object: the bureaucracy.

It was a credit to him that he persevered. The *Luxor Aida* was, by any standards, a memorable production of a famous work. But Mr Metwalli's exasperation was obvious when he told reporters that "everyone wants a piece of the cake." He was expressing the perennial frustration of those seeking to do business in Egypt.

In Britain people complain about the weather. In Egypt they complain about bureaucracy. Next to a dismal subject, but Egyptians bring to it a capacity for wry observation and a fertile sense of the ridiculous. They are known throughout the Arab world for their humour at the expense of bureaucrats. It serves, one suspects, for a defence against a monolithic state that has traditionally weighed heavily on its citizens.

Mr Weber, the German sociologist, described the Egypt of the Pharaohs as a "purely bureaucratic state." It is an observation that could equally well apply today.

Professor Saad Ibrahim of the American University in Cairo attributes this bureaucratic tradition to the country's reliance on the waters of the Nile. The allocation of the water has been, since the time of the Pharaohs, the task of state officials.

Oldest joke

In Egypt the first recorded complaint against an oppressive official can be found in the "Book of the Eloquent Peasant," which dates from 1,000 BC. The story line has changed little over the years, and a feature of popular culture is the attention given to anti-bureaucratic themes in books, plays, television and radio serials, cartoons, and jokes told on street corners.

Men and Matters

Thus during the recent Ramadan fast a television serial at evening peak viewing time featured the story of Sombol, the peasant, who had made his million and wanted to help his country by developing desert land, but was frustrated by layers of bureaucracy.

During his struggles Sombol, played by the popular comedian, Mohammed Sobhy, encountered and old man, who like him, was trying to get a permit to reclaim desert land. Eventually, after several years, the old man was granted permission whereupon he promptly upped and died.

Such a theme may appear crude to a western audience, but to Egyptians it strikes a special chord. Ingrained in the Egyptian lexicon is the phrase "Fut al-sha' bura", which means, literally, "Come back to morrow".

It is the standard response of Egyptian officials, who in a recently Government-commissioned time and motion study found, on average, work just twenty minutes a day.

Tewfik Hakim, the celebrated Egyptian writer, in his play "The Sultans Dilemma," included the following exchange, in which a judge sought to establish a man's identity.

"Tell me something about this person... what does he do?" the judge asked.

"Nothing," is the reply.

"Is he a peasant?"

"Allegedly yes, but that is not the case." He is alleged to have a profession, but does not work."

"That is so."

"Then he must be a civil servant."

Salah Djahine, Egypt's best-known cartoonist, who died recently, used as his standard character an individual named Abdel Aady El Burecrati, who embodied some of the perverse characteristics of Egyptian bureaucrats. A morning radio programme pursued similar themes as those in the press about official obstructionism.



"But if you weren't here to get away from it all—how would you vote for?"

Death throes

Egypt's legion of bureaucrats wields formidable power, partly because of weight of numbers. Thirty three per cent of the workforce of about 10m is employed by the Government, eight times the number in most western countries.

Overmanaging adds to the delays. The Mugammas, a vast structure of Stalinist apparitions on Cairo's central Tahrir Square, is the country's bureaucratic HQ. It is the place where citizens engaged in relatively simple tasks, such as securing a passport or pension rights, encounter the bleak face of the officials. In their frustration people have been known to throw themselves to their death from the stairwells of this huge mausoleum.

Complex procedures are a feature of the Egyptian bureaucracy. When I registered my car recently I went through no fewer than 12 steps, including the payment of gratuities,

which took the best part of a day in surroundings that could only be described as chaotic.

Integral to the Egyptian system is the payment of bakshesh, a Turkish word dating from Egypt's Ottoman era, which means the payment of a tip, or fee, for service. These gratuities were traditionally offered to menial workers but it is now the practice for even middle level officials to exact payment of bakshesh to perform relatively simple tasks. The distinction between bakshesh and bribery has become blurred.

In effect bakshesh in Egypt these days oils the wheels of a creaking bureaucracy. Most citizens don't have the time, or literacy, to thread their way through the maze, hence the need for agents who can be found outside the most where the public deals directly with officialdom.

These agents have connections with bureaucrats. They function, for a fee, as go-betweens. At a higher level foreign companies are also obliged to employ agents who assist their clients in penetrating the Egyptian bureaucracy.

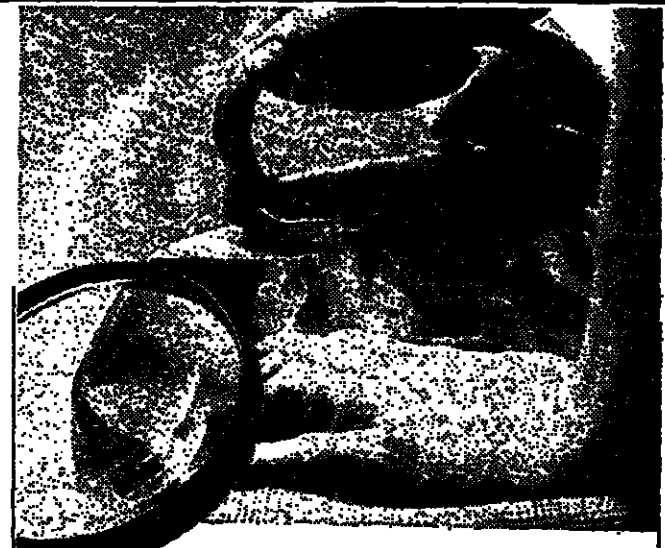
Donkey's tale

Conversation with Egyptians is spiced with jokes about the problem. One that sums up the frustrations involves a conversation between a camel and a donkey. The donkey, on his way back to his village, encounters his friend, the camel, who is running away. The camel tells the donkey not to return because the bureaucrats have entered the village and are killing off all the donkeys.

The donkey considers this piece of news for a moment and then replies: "How do I know they will make an exception for me?"

The Egyptian Government has various plans to improve the situation but few expect great changes. "You just talk about it but don't do anything," says Mohammed al-Ahmed, a newspaper columnist. "There's the pyramids, and there's bureaucracy."

Observer



The Case of the Tailor's Hands

(from an unpublished adventure of Mr. Sherlock Holmes)

"But Holmes, how on earth did you deduce that our mysterious visitor acquired his wardrobe ready-to-wear—and from Chester Barrie?"

"Come now, Watson. The man had not been in London long enough to get made-to-measure garments, yet everything about him said, 'Savile Row.' Surely

you observed the hand-made button holes and the natural horn buttons? The precision of the stitching indicated skilled hands—using pure silk thread, I fancy. And there was the unmistakable effect of hand-pressing with the heavy gas-iron."

"So Chester Barrie showed their hand?"

"Excellent, Watson. Like me, they have their methods."

Chester Barrie
SAVILE ROW LONDON
32 Savile Row London

ETHICS AND THE UK ELECTION

Thatcher's jungle, Kinnock's zoo

By Joe Rogaly

POLITICAL morality is the issue that matters most in this election. For there is a fundamental difference between the values of the Thatcherite Conservatives and the Kinnockite Labour opposition. Less obviously, the ethical origins of the Liberal Party differ from those of its Social Democratic partner, but life is too short to contemplate all that. The British as a whole are reluctant to date morality of any kind, on the grounds that (a) such talk is pretty airy-fairy while (b) those who profess superior values are probably bogus. Yet an inner consciousness of values is probably the strongest in political life.

It is certainly a strong force in modern conservatism. Mrs Thatcher's new testament could be made up of a bound volume of books of her prophets, from Adam Smith to F. A. Hayek, with commentaries by their latter-day disciples, starting with one of her early policy advisers, Ferdinand Mount, and concluding with her newest, Professor Brian Griffiths. The Centre for Policy Studies, initiated by Sir Keith Joseph, has published such commentaries in a series of slim pamphlets. They tell it all.

"I believe that one fixed point in a Christian view is the significance of the individual," writes Professor Griffiths, who points out that the teaching of the Good Samaritan was shown to an unfortunate individual, and not to some discriminated against group or disadvantaged social class. In truth, most of the new Tory thinking seems to have been settled by the tendency of Church of England bishops to demand higher taxes and more spending on the poor.

But they do not deny that these are ethical matters. "A more... precondition of an effective policy for a propertyless democracy," says Mr Mount, "is that the propertyless should be accorded dignity and opportunity." (Straight cash is usually excluded from such precepts.) According to Professor Griffiths, inflation is at heart a moral problem because it is a state of "deserving" and "undeserving." The first comprises people who cannot look after themselves: the severely disabled, perhaps, or the very old, or possibly the long-term unemployed. The second comprises the modern state which help them, although the

on the table for a moment: the significance of the individual and the side of the wickedness of inflation. Add the importance of property. Find a place for opportunity. Now the other pieces snap in easily. The market economy falls into position in the puzzle without effort.

Behold: prices are stable and the ownership of homes, small businesses, and shares in large companies is widely spread. Savings become reliable. Consumers are satisfied. Following the party's manifesto, schools propagate "moral values: honesty, hard work and responsibility." Not to mention "character," better "standards of personal discipline" and "aspiration to higher achievements. Individuals become responsible for their own well-being and that of their families. As good Marxist-Leninists like to dream, the state practically withers away.

Indeed, you could tease the thread out to the extreme that Professor Griffiths calls "libertarian ideology," under which education, welfare and health care might be privatised. Pull a little harder, follow the logic through, and you abolish marriage, divorce, censorship and laws restricting prostitution or the taking of drugs. Wait. The permissive half of "libertarian ideology" would be regarded as profoundly immoral in Mrs Thatcher's Downing Street. The privatised half is probably seen as a trifle impractical.

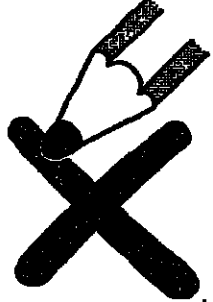
A hasty back-track is required, to 1980s Thatcherism, with its vision of a society in which the majority of individuals and families take care of themselves in a property-owning market economy. This is the famous Tory dictum that policy must run with human nature, and not against it. Or, as Dr Jose Harris of St Catherine's College, Oxford, puts it, the division is between "those who see society as a jungle and those who see it as a zoo." To be fair, in the Thatcher jungle there is a place for help to the unfortunate.

Following Victorian practice, this group is divided into "deserving" and "undeserving." The first comprises people who cannot look after themselves: the severely disabled, perhaps, or the very old, or possibly the long-term unemployed. The second comprises the modern state which help them, although the



moral preference is that individual families, companies, voluntary organisations and communities should stretch out the hand of charity. Such are the ethical responsibilities of property-owners. In the absence of a religious underpinning, this essential heart of Thatcherite morality is hard to follow, for the human nature that makes the best of the market-place is not always the same human nature that makes personal sacrifices in order to help others. The lion does not invariably lick the wounds of the lamb.

The increase in inequality since 1979 is beyond dispute



As to the undeserving poor—those who could better themselves but fail to do so—the moral perception is that it is bad for such people to keep them in a state of dependency. If you do, Mr Mount suggests, you support "a belief that we are stuck with a permanent underclass which will never be able to take on the responsibilities which are a normal part of life." We sure

The Kinnock version is somewhat different. It is more difficult to define, partly because of the Oxford Movement and its offspring, the Christian Socialists. Whether today's Labour leaders profess a faith or not, the intellectual roots of their passion for equality are to be found in such 19th century interpretations of the Christian ethic. Mr Kinnock's friends say that he was profoundly influenced by his mother, a devout chapel-

goer. Yet Dr Harris, writing in the Times Literary Supplement, finds the role of Christian-inspired philanthropy "problematic" on the ground that "Christians had been under a duty to love their neighbours for at least nineteen centuries before they thought of doing so through the medium of a welfare state."

It is not such a puzzle when one considers the conditions of life in modern city centres. It is very easy to understand the strengthening of such values in present-day Britain. The latest document in evidence, "The Growing Divide," is published today by the Child Poverty Action Group. Now the CPAG is a pressure-group for the poor. It found that the quantity of poverty had risen under the last Labour government. Its testimony must be judged accordingly. Yet when all the discounting has been done, the number of old people living unaided in appalling accommodation does not fall. The number of long-term unemployed continues to rise.

The increase in inequality since 1979 is beyond dispute. This is not only a consequence of lower taxation of the rich; it also follows from the more rapid rise in incomes of those in work as against benefits paid to those who are dependent upon the state. Between November 1979 and April 1980 both prices and benefits very nearly doubled. Average disposable income per head rose by a further quarter on top of that.

You can argue details until you are blue in the face. But consider two children in comprehensive school with both parents out of work. The family social security cheque will be the equivalent of less than £5,000 a year, plus rent. They probably live in a council estate. Who can say that they have as good a chance as the better-off majority of children? In such circumstances equality of opportunity is a chimera. That is why values are so important. A Labour Prime Minister who regarded care for such people as a matter of prime concern would naturally come to very different conclusions about taxation and the management of the economy than Mrs Thatcher, whose starting-point is the creation of wealth. Each sees a different country and a different ethical basis for the organisation of society. That is what the election is about.

Lombard
Germany after the zeros

By David Marsh in Bonn

AT FIRST sight, West Germany's worries about the superpowers' plan to dismantle medium-range nuclear missiles in Europe look like just another example of the way the Germans always make everything difficult.

In reality, West German anxieties, troubling not only conservatives within the centre-right coalition but also some strategic thinkers on the liberal political fringes, may turn out not to be so far fetched after all.

The mere fact that they are being so hotly discussed in the Federal Republic will certainly present the Soviet Union with significant opportunities in the East-West power game.

Unless the US and the other western allies handle the matter very carefully, the upsurge of debate in the Federal Republic about where its strategic interests really lie may herald a steady weakening of West Germany away from NATO in coming years — and a strengthening of its readiness to make economic and military concessions to Moscow.

On the face of it, the Soviet Union is offering a bumper give-away. The "double zero" option reluctantly accepted last week by the Bonn coalition, envisaging the scrapping of missiles of between 500 and 5,000 km range, will lead to the Soviet Union dismantling a far larger number of warheads, including some (in the 500 to 1,000 km range) where the West has no comparable weapons.

There are three reasons why the West Germans are looking Mr Gorbachev's gift horse in the mouth. The Soviet nuclear weapons which are left-of under 500 km range will be uniquely targeted on Germany.

Second, the removal from Europe of US Pershing II and cruise missiles which can hit Moscow amounts (in spite of continuing presence of 200,000 American troops in the Federal Republic) to a distinct shift along the path of "decoupling" of US strategic interests from those of West Germany.

This exposes front-line West Germany more than ever to the potential threat from numerically superior Warsaw Pact conventional tanks and chemical weapons.

Third, NATO's shorter-range nuclear missiles and artillery which will now assume greater importance in military strategies are for the most part not only stockpiled in West Germany, but also intended to explode there. These weapons deter not so much the Russians, but more the West Germans, from fighting a war.

The mistrust, much voiced recently by conservative West German commentators, of the motives of the US, France and Britain in pushing for the "double zero," could become self-fulfilling. The more talk there is in the Federal Republic of the country being open to "blackmail" from the Soviet Union, the more likely the Americans (and the Russians) are to believe it—and "decoupling" will have gone a step further.

If this weakened underpinning for West German security within NATO is to result in greater efforts to boost conventional forces by the Federal Republic, then the outcome would perhaps be satisfactory. But this is unlikely to be the case. The prosperous West Germans have grown tired of Cicero's maxim — those who want peace must prepare for war. West German defence spending has been roughly stable in real terms over the past few years.

Economic, psychological and demographic factors (the declining number of young men available for conscription) all argue against any increase in overall defence efforts in coming years.

The West Germans could be increasingly loath to support US efforts to bar Soviet access to sensitive technologies. They may be persuaded to agree generous commercial deals in exchange for promises of more liberal Soviet treatment of dissidents and emigres.

Moscow can also be expected in one way or another to nurture the forces of neutralism on both left and right — ranging from the peace movement to some of the proponents of German reunification.

In short, the West should take note of the West German warning signals. Those who think the German "double-zero" worries are just a short-lived storm are likely to be proved wrong.

Centralisation policies

From Professor G. Jones and Mr T. Travers

Sir—Marc Laving (June 3) accuses the Financial Times of corporatist assumptions although the system he supports is far more corporatist than current arrangements. At present elected representatives have at least some influence over housing and education, whereas he proposes the handing over of huge tranches of public money to non-elected and unaccountable groups, which will press for their own interests.

His scheme does not involve the passing of power to individuals and the operation of real markets, nor cutting completely free of the state. In housing non-elected institutions will effectively receive state assistance at a knock-down price. In education the state will be giving money from taxpayers to what is in essence a pressure group, namely school governors. So, Mr Laving is a bigger corporatist than the advocates of local government.

If the Conservative Party's manifesto is enacted the citizen will be left isolated facing central government, without the buffer of an intermediate tier of local government. The citizen will be overwhelmed by the centre, since it is more difficult

Letters to the Editor

for an individual to cope with Whitehall than with the local town hall.

It is not just the Conservatives who are proposing more centralisation. The Labour and Alliance Parties are urging minimum standards to be imposed on local government, the forcing of local authorities to abolish selective education, and the establishment of regional government, which will inevitably pull powers upwards away from local authorities. (Professor) George Jones, Tony Travers (Research Director of the Greater London Group), London School of Economics, Houghton Street, WC2.

Joining the EMS

From Mr N. MacKinnon
Sir—Mr de Nemessker-Kiss (May 27) takes me to task for ignoring the "credibility" impact that UK membership of the EMS might have in reducing both inflationary expectations and (as a result) the level of

domestic nominal interest rates.

While I accept that EMS membership may well have this type of effect (assuming, of course, that wage bargainers and price-setters respond appropriately) this was not the central point of my letter (May 20). Let me reiterate briefly. A fixed or semi-fixed exchange rate target not only involves greater interest rate volatility (a point which Mr Nemessker-Kiss accepts) but in the case of the EMS means a sacrifice of domestic policy independence, and in particular limits the ability of the UK authorities to react to the impact of external shocks on sterling such as changes in the oil price. The problem is made more acute in attempting to tie the value of sterling against the Deutsche Mark, given the unrestricted mobility of capital between the two currencies.

Whatever impact EMS membership has, initially, on the absolute level of interest rates in the UK the factors mentioned above imply that the future path of interest rates is by no means certain. Indeed

thereafter, there is likely to be sharper and more frequent changes in the level of interest rates.

Voting in Australia

From Mr K. Underhill
Sir—Re "Voting in Australia," (June 4) the system used for the House of Representatives is not proportional representation. It is a transferable vote in single member districts, often called the alternative vote. It cannot represent both the majority and minority in any single district, and thus does not lead to PR.

A more important matter is the impression gained that transferable voting is complex, and time consuming. The problem of a high number of spoiled ballots and the long count are due entirely to the law whereby voters must mark large numbers of preferences: if voters were allowed to mark as many of few as they wished, far fewer ballots would be spoiled and the counting time would be drastically reduced. Electoral reformers in Australia have long wanted this unnecessary requirement repealed: electoral reformers in the UK oppose compulsion. Keith Underhill, Electoral Reform Society, 6 Chancery Street, SE1.

Simulated stimulation of the West German economy

From Dr K. P. Kriegermann

Sir—Your editorial of June 2 predicts West Germany will be the focus of international demands to stimulate its economy. Certainly, the Japanese reaction to actions will raise the question: why are policies desirable for one stagnating, surplus country not equally desirable for the Federal Republic? This question, however, must be combined with another: what would a stimulatory policy effect in West Germany? I agree, moreover, that the other summit participants are not demanding West German expansion for reasons of pure altruism; they are, of course, interested in the spillover benefits to their own economies. This suggests yet another question: what would the benefits of German stimulation be globally? I have attempted to answer these queries with a simulation run on an economic model of the world economy. To start with the results: such a policy would be good for West Germany but not successful in helping the world economy.

The point of departure for the simulation was, naturally, German fiscal policy. I assumed Mr Stoltenberg will agree to bring forward income tax cuts from January 1 1988 to July 1 1987, and will increase the amount from just DM 15bn to

DM 21.2bn (of which DM 2.5bn belong to corporate taxes). These measures will be aided by expenditure increases of DM 4bn in 1987 and DM 20bn in 1988, and following that expenditure will rise at the currently planned growth rates. Ex ante, the Finance Minister will—in our simulation—stimulate the economy by 1.2 per cent (DM 22bn) of nominal GNP this year, and 2.1 per cent (DM 41.2bn) next. This would not, however, result in a 1988 budget deficit DM 41.2bn greater than currently expected. As the stimulated economy fosters increased income and demand, other taxes would grow faster than anticipated. The end effect on the deficit would be a worsening of DM 15bn in 1987, DM 17bn in 1988, and DM 11bn in 1989. I assumed that monetary policy will accommodate fiscal policy with long-term government bond yields rising only 30 basis points.

As a result of the monetary policy, fiscal policy would have no perceptible impact on exchange rates. Until 1989 inflation of consumer prices would be one-half percentage point higher, still far below the average for industrialised nations. In 1987, the policy would alter almost nothing in terms of growth, as it comes too

late. On the average for the coming two years, however, real GNP would rise by 1.1 per cent, a stronger. This is smaller than ex ante expectations because of the stimulus, since real imports would grow 2.2 per cent more in each year—the spillover effect. The current account surplus would decline by DM 15bn and DM 18bn in 1988 and 1989, respectively, amounts smaller than the value of the rise in imports and attributable to increased exports demanded by Germany's trading partners resulting from the spillover stimulus to their economies. German nominal exports of goods would be unchanged in 1987, DM 4bn (plus 0.7 per cent) higher in 1988 and would surge by DM 11bn (plus 2 per cent) in 1989.

While the net effect of such a policy for West Germany would be slightly positive, the results for other countries are clearly disappointing. Looking at the entire period 1987 to 1989 for Italy, Belgium, the Netherlands and Austria growth of real GNP would be only 0.6 per cent greater than expected. For the bulk of the European countries, including France and the United Kingdom, additional exports to West Germany in 1988 would result in a strong rise in imports in 1989, leaving only a small positive effect on GNP

growth. The world economy's main problem is clearly the US current account deficit, and there are two basic solutions: cut domestic demand (the public sector deficit), or increase foreign demand to push up US exports. Our simulation shows a possible German contribution toward this second strategy. The result is it would be unsatisfactory US exports of goods would be \$2bn higher in 1988 and \$3bn higher in 1989. Although the US bilateral trade deficit would be halved by 1989 to the level of 1983 (1986: DM 23.3bn), the contribution to solving the primary problem would be minimal. What is more, the cost to the West German government would be DM 40bn in additional borrowing over the coming 10 quarters, all to lower the US current account deficit by \$3.9bn (DM 5.6bn). The price is much too high to make this a reasonable strategy. The price, however, may be adequate if such a policy could dampen protectionist demands on Capitol Hill!

(Dr) Klaus-Peter Kriegermann (Senior Economist), Data Resources International Europe, Liebigstrasse 19, D-6000 Frankfurt 1, West Germany.

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SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Monday June 8 1987



INTERNATIONAL BONDS

World Bank sets Eurosterling benchmark

THE APPROACH of the Venice summit of leading industrial nations this week proved a good excuse for most Eurobond dealers to limit trading activity last week, even though few expected any initiatives on economic co-ordination to emerge from the meeting, writes Clare Pearson in London.

The Eurodollar market attempted to improve early in the week, encouraging three houses to launch new fixed rate issues. But primary market activity was then stymied by the turmoil provoked by news of Mr Paul Volcker's impending departure as chairman of the US Federal Reserve Board.

Dealers had barely time to recover from this to find that Venice was almost upon them.

Paradoxically, the Eurosterling market saw much of the action in the primary market last week, even though dealers said that investors' orders had dried up pending the result of the June 11 general election.

Two fixed-rate Eurosterling bonds emerged for supranational borrowers, the Asian Development Bank and the World Bank, as their lead managers judged that these were the names most likely to be snapped up in a renewed inflow of funds in the event of a Conservative victory in Britain's general election this week.

The gamble looked a touch too brave on Thursday when the gilt market fell over a point on rumours that an up-coming opinion poll would show significant gains for the Labour opposition and the price of the World Bank's freshly launched £200m 20-year deal was pulled down in the commotion.

By Friday, however, the rumour was confounded and the World Bank's deal was back trading around its fees, and Baring Brothers, the lead manager, could congratulate itself that it had satisfactorily set a new benchmark in Eurosterling with the issue.

The bond represents a landmark not only in that it is the largest Eurosterling fixed-rate bond yet seen, but also the largest issue for a sovereign or supranational issuer in either the Eurosterling or the bulldog market (the domestic market for foreign borrowers).

The Bank of England has previously been thought to limit issue sizes to £100m for these types of borrowers.

Bulldog traders, however, were less than delighted with its appearance. Starved of new issues for more than a year, and almost forgotten by investors, this market has become less and less liquid of late.

In response to the move into the Eurosterling market by the World Bank, which has two long-dated bulldog issues outstanding, depressed bulldog dealers instantly set about marking prices of supranationals down, concluding that the issue signalled that there should be a higher yield premium for illiquidity in their market.

The conclusion that the bulldog

EUROBOND TURNOVER Turnover (£m)				
Primary Market	Secur	Govt	Fin	Other
US\$	488.2	357.4	169.7	3,088.4
Yen	180.4	255.2	89.0	6,081.5
Other	2,658.2	2.0	0.0	584.9
Other	4,326.8	6.3	72.1	218.1
Secondary Market				
US\$	21,677.0	1,705.1	15,982.3	6,687.6
Yen	34,276.4	1,583.9	16,982.5	6,026.5
Other	15,140.1	942.3	6,439.3	12,477.8
Other	22,557.5	772.1	5,040.0	10,519.5
Cashed				
US\$	13,857.8	38,841.9	8,790.7	58,782.7
Yen	14,850.9	48,061.5	55,621.4	55,621.4
Other	16,282.8	24,875.8	41,138.4	41,138.4
Other	16,516.2	27,459.0	43,975.2	43,975.2

Week to June 4 1987 Source: AIBD

market is dead was probably precipitate, however. Bankers have long been predicting that it will gradually merge into the Eurosterling market, but it still has some distinct advantages both for issuers and investors.

It is for instance still uniquely possible to raise really long-term funds, of 30 years or more, in the bulldog market. And most UK institutions, who absorb the bulk of the long-dated Eurosterling bonds, prefer it because price behaviour is far more stable and because they get a greater say in the pricing of bonds than is available in the wider, Eurobond marketplace.

Elsewhere last week equity warrants bonds for Japanese borrowers continued to pour forth from the stables of the Japanese securities houses, and, with one notable exception, they traded around or above par.

Nevertheless, a \$100m deal for ball bearings producer Minebea met so little demand that it had to be withdrawn by the lead-manager, Nomura International. As Nomura itself pointed out, this was a remarkable move as it marked the first time that a deal for a Japanese borrower had been withdrawn for

any reasons other than general market conditions.

The decision caused a diplomatic incident in the Japanese sector of the market because Daiwa, which was lead-managing an identical, fungible tranche of the issue in Asia through Daiwa Singapore, did not follow Nomura's lead. It did increase the coupon on its tranche by 1/4 point to an indicated 1 1/4 per cent.

This was expected to do little for a bond that had traded at almost unheard of discounts of around 10 points below its issue price.

The incident is likely to cut down issuing activity by less popular Japanese companies in the market for Eurobonds with equity warrants attached, as it suggests that they will have to pay a much higher premium than their more favoured counterparts.

● Merrill Lynch Capital Markets announced \$500m multi-tranche tap programmes for the London branches of Mitsubishi Trust and Banking and Fuji Bank. They will be able to issue certificates of deposit of one to five year maturities with semi-annual interest payments in tranches of at least \$50m each.

Court puts block on bid for Burlington

By Our Financial Staff

BURLINGTON INDUSTRIES, the largest US textiles group, has been granted a preliminary injunction barring the \$1.85 hostile takeover offer by Mr Asher Edelman, the New York investor, and Dominion Textile of Canada.

Burlington made the request in a federal court in connection with its \$500m lawsuit alleging that the \$77 a share offer was based on confidential inside information.

The suit alleged that the partnership, called Samjens Acquisition, violated anti-trust and securities laws. Burlington said it was "gratified that the court has enjoined the group from proceeding with a tender offer."

Burlington also said the court ruling "establishes that everyone must comply with law in making a tender offer."

During a hearing on the request for the injunction earlier last week lawyers for Samjens said a preliminary injunction would kill its bid for the company.

South African glass group's sales increase

By Jim Jones in Johannesburg

PLATE GLASS and Shatterproof Industries (PGSI), the South African-owned glass and timber products distributor, increased sales by 20 per cent in the year to March and is budgeting for further growth in the current year.

Turnover increased to R1.68bn (\$832m) from R1.40bn and pre-tax profits were R115.5m against R90.6m. The directors say the relative contributions of the South African and foreign operations remained unchanged.

A Citicorp-arranged deal for Montedison of Italy is to be increased from \$200m, perhaps by up to 50 per cent.

Orion Royal Bank is arranging a

Egypt rejects venture move by US bank

By TONY WALKER IN CAIRO

EGYPT'S Central Bank has quietly turned down a Bank of America request to divest itself of its share in a local joint venture to an Islamic investment company.

Bank of America said the Central Bank had indicated it would not approve a transfer of the bank's 40 per cent share in the Misr America International Bank (MAIB) to El Rayan Investments.

The US bank said the Central Bank turned down the request on the grounds that El Rayan was not considered a suitable partner in such a venture.

Government officials have criticised the burgeoning Islamic investment sector which, in some cases, has been offering returns of 20 per cent on depositors' funds.

These investment houses operate under an ill-defined set of laws, and in some cases effectively outside government control.

MAIB's shareholders, apart from Bank of America, include the Misr Insurance Company, the Industrial

Development Bank of Egypt and the Kuwait Real Estate Bank.

MAIB said it broke even last year, but it is no secret that Bank of America has been anxious for some time to divest itself of its shareholding.

El Rayan, the most prominent of the Islamic investment houses, proposed investing about \$14m in MAIB, whose paid up capital totals \$7m.

New foreign exchange regulations are believed to have persuaded institutions such as El Rayan to seek an involvement in the mainstream financial sector. But Egypt's Central Bank has proved reluctant to approve transfers of ownership or new shareholding arrangements in local banks.

● Credit Suisse has had a long standing application to be allowed to convert its operations from those of a foreign currency branch to a joint venture. Approval has not yet been given.

EUROCREDITS

Anxieties over Norwegian loans unnerve bankers

NO SOONER had bankers' nerves been calmed over the now-rescinded threat by Fuerzas Electricas de Catalunya (Fecsa) of Spain to cut interest rates on its debt pending a rescheduling, than their blood pressure was set rising from another quarter - Norway, writes Stephen Fallick in London.

Norway's parliament is expected to discuss on Wednesday a proposal which will force 33 foreign banks to write off as much as 40 per cent from the more than \$200m which they are owed by the state-owned industry group, Kongsberg.

While the loans were not explicitly guaranteed by the government, the banks argue that the state has a moral obligation to make sure the company makes good its loans.

Bankers say such a ruling by parliament would worsen the credit standing of other state sector borrowers in Norway and damage their efforts to raise new money. There are also suggestions that bank lines to these enterprises may be being cut.

Meanwhile on Friday, a Fecsa steering committee comprising

about 20 banks was near to completion, with replies awaited from two or three Spanish banks.

Following the signing last month of a \$400m loan for Bank of Greece, talk is surfacing of a return by Greece to the loan market. A partial refinancing would avoid a bunching of debt repayments next year. OTE, the state telecommunications concern, is expected to be the borrower, to be followed by the Public Power Corporation later in the year.

Associates Corporation of North America is raising \$250m over five

years in a revolving credit with swing-line, arranged by Merrill Lynch. It pays a margin of 18.75 basis points, with a utilisation fee of five basis points if more than half used. There is a commitment fee of 7.5 basis points.

Butler Securities arranged a \$250m multi-currency certificate of deposit issuance programme for the Britannia Building Society, the UK's 10th largest. Kleinwort Benson, First Chicago and Union Bank of Switzerland were appointed dealers.

Orion Royal Bank is arranging a

\$50m, eight-year bullet term loan for Hammerson Property. It carries a margin of 25 basis points for years one to five, and 31.25 basis points for the remainder. The commitment fee is 6.25 basis points.

Orion is returning to the market to expand from \$200m to \$300m a note issuance facility arranged in 1985 for Colorado Interstate Corporation.

A Citicorp-arranged deal for Montedison of Italy is to be increased from \$200m, perhaps by up to 50 per cent.

Orion Royal Bank is arranging a

GM to upgrade Antwerp plant

By William Dawkins in Brussels

GENERAL MOTORS Continental is to spend Bfr 2.8bn (\$74m) over the next year to modernise and upgrade its Belgian production facilities in Antwerp.

The bulk of the cash will be spent on merging the two factories on the Antwerp site, a project due to be completed by autumn next year, and on making modifications for the production of future Opel models, including the new Ascona.

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The move follows the investment of Bfr 26bn on the Antwerp plant since 1979, bringing the total close to Bfr 20bn. GM is Belgium's largest car-maker, having produced 141,318 vehicles at the Antwerp plant in the first four months of this year, up from 139,776 in the corresponding period of 1986.

Last year's total production reached a record 383,000 Opels and Vauxhalls.

This announcement appears as a matter of record only.



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NEW ISSUE These securities having been sold, this announcement appears as a matter of record only. 26th May, 1987



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Commercial Bank of Kuwait S.A.K.

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Gulf Investment Corporation

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International Financial Advisers, K.S.C.

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Kuwait Real Estate Bank K.S.C.

Securities Group S.A.K.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

REGULATION SEC may relax rule on foreign securities

STAFF AT the Securities and Exchange Commission in Washington are considering the relaxation of a rule on the distribution of foreign securities in the US which could have a significant effect on the international equities and Eurobond market.

The rule, which prevents the sale in the US of foreign securities until 90 days after their issuance, is one of a number of issues now being discussed by SEC staff relating to international capital flows.

The SEC said last week that no decision on whether to relax the rule has yet been made, but that this was under active discussion because "it may no longer be reflective of market conditions."

Other connected issues under consideration include the possible acceptance by the SEC of foreign prospectuses, perhaps after certain amendments, perhaps in reciprocity agreements with other countries.

While the commissioners have yet to be presented with any recommendations from the staff, it is clear any easing of the way for newly-issued foreign securities to US investors would have major repercussions for the role of US firms in the Euromarkets and foreign government securities markets.

US securities firms have been arguing that their ability to compete internationally has been hindered by the effective absence of a "home market" for the placement of new issues. While this has forced them into finding an international investor base, it has become difficult for them, for example, to elbow their way into a number of international equities issues which are being offered on a regional basis.

As evidenced by the events of the last 12 months, the SEC's role has nothing to do with making life easier for Wall Street. But, providing a relaxation would be deemed not to conflict with its brief of vouchsafing the public interest and protecting investors, then it might be sympathetic to its arguments.

Stephen Fidler

Stockholm SE fines four companies

BY SARA WEBB IN STOCKHOLM

THE STOCKHOLM Stock Exchange is to fine four Swedish companies, including the automotive and aerospace group Saab-Scania and the dairy equipment and process engineering group Alfa-Laval, for recent breaches of their listing regulations.

At the same time, the Stock Exchange said it plans to introduce the idea of an "observation list" on July 1 whereby companies which are under investigation, for example for breaches of the registration agreement, would temporarily be put on a list as a way of alerting the market. The obser-

vation list would take effect at the same time as tighter legislation on insider trading comes into force.

Saab-Scania, Alfa-Laval, Fläkt, the ventilation equipment group controlled by ASEA, and Piren, a property company, were fined for breaching listing regulations because they had released information to shareholders which had not been given to the Stock Exchange first.

According to Swedish regulations, Stock Exchange fines are calculated at between one and 10 times the annual registration fee, which in turn is re-

lated to the size of the company. Saab-Scania was fined SKr 488,768 (or the annual registration fee) for failing to inform the Stock Exchange of its full-year forecast for 1987 when it released the information at its shareholders meeting in May.

As for the observation list, a company could stay on the list for up to six months while under investigation by the Stock Exchange, for example for breaches of the listing agreement. This might lead to a fine or even a delisting — as in the case of Fermenta which issued misleading information.

Companies which are undergoing major structural changes or which are in the process of being taken over would also be candidates.

"This is not a punishment, only a signal that the situation is different," said the Exchange. The Fermenta affair, among others, increased awareness that Swedish legislation regarding insider trading needed to be tightened up. On Thursday, Parliament passed legislation to extend the period during which board members of a company that was planning a takeover could not trade shares in the target company.

Oslo plans laws to regulate stock exchange

BY KAREN FOSSLI IN OSLO

NORWAY'S MINORITY Labour Government is planning new laws to regulate the Oslo Stock Exchange, reflecting its concern about insider trading and volatility caused by short-term trading.

The Norwegian stock market is presently self-regulatory with its board consisting of nominees from trade and industry. However, proposals unveiled by the Finance Ministry, and not yet discussed by parliament, will allow the government to appoint the exchange's board, which will have five to seven members, and a new 25-member advisory committee.

Violation of regulations on reporting of company information and stock manipulation could lead to a three-year prison sentence, according to proposals.

Observers said it was too early to tell how the market would react to the proposal but expressed concern over the attitude which a Labour government-appointed board might have towards the stock exchange and its members.

Mr Erik Jarve, president of the Oslo bourse, did not think that the proposal would effect present trading levels. He said: "I think that the stock ex-

change will remain an independent institution in the future under government control and the only difference between today's proposal and current regulation is that the bourse will fall under jurisdiction of the Finance Ministry rather than the Trade Ministry."

Mr Gunnar Berge, Minister of Finance, said that he expects the proposal to be approved by the Storting (Norwegian Parliament), although he admitted that he had not yet consulted other political parties. One stockbroker said that the new proposal could have a short-term psychological effect

on the bourse. Annual turnover rose from Nkr 2bn in 1982 to Nkr 30bn (US\$4.6bn) in 1985, but there has been uncertainty over continued investment by foreigners, who could be hit by a proposed two per cent share trading tax.

When news of the share tax leaked in early May, investors took flight and the Oslo bourse registered the steepest one day fall since its inception in January 1983.

The Finance Ministry says its new bourse regulation proposal is largely in line with similar regulations enforced by Sweden and Denmark.

Market value near \$1bn likely for FMC gold unit

BY STEFAN WAGSTYL

FMC, the Chicago conglomerate which last year carried out a \$1.8bn recapitalisation to ward off potential predators, is this month to float off its gold mining interests as FMC Gold, which will have a market value of up to \$975m.

The group, which produces chemicals, defence and oilfield equipment, is joining a growing list of companies which have taken advantage of the high stock market valuations currently being given to gold shares.

It is offering for sale 7m shares in FMC Gold at a suggested price of between \$13 and \$15 each. The money raised will be used to repay inter-company debt and to fund the gold company's future ventures.

FMC will retain 89 per cent of the equity in the subsidiary.

Half the shares are being sold in the US and the rest overseas, including some in Europe.

FMC Gold, which produced 224,500 ounces of gold last year, has interests in two mines in Nevada, the largest gold-producing state in the US. The company has 30 per cent of the Jerritt Canyon mine, in northern Nevada, and 100 per cent of Paradise Peak in the south of the state.

In May last year FMC took \$2bn of debt on to its books to recapitalise the company by paying shareholders \$50 a share cash. The scheme cut outside shareholders' stake from 81 per cent to 59 per cent.

Brierley to buy 15% of state-owned Petrocorp

BRIERLEY INVESTMENTS (BIL), Mr Ron Brierley's New Zealand master company, is to pay NZ\$140m (US\$90.74m) for half of the shares to be issued to the public shortly by state-owned Petroleum Corporation of NZ (Petrocorp, Reuter reports from Wellington).

Mr Paul Collins, BIL chief executive, and Mr Bill Falconer, Petrocorp managing director, said in a joint statement that BIL would get 100m shares, a 15 per cent holding, for NZ\$140 per share.

The government said in March it would sell 30 per cent of Petrocorp, and the company plans to release its prospectus next month and issue shares in early August.

The statement said BIL's purchase followed Petrocorp's offer

of 100m shares by tender to a number of New Zealand companies operating in the resource sectors. Mr Falconer said Petrocorp and BIL had enjoyed a good relationship through interests in the gas industry.

Meanwhile, BIL's planned acquisition of a 30 per cent stake in Rainbow Corporation, the New Zealand retailer, has breached Australia's takeover code, said Mr Henry Bosch, chairman of the National Companies and Securities Commission (NCSC) in an Australian TV interview.

The acquisition, which effectively gives BIL almost 40 per cent of Woolworths, the Australian retailer, would be the subject of a private NCSC inquiry, Reuter reports from Sydney.

NEW INTERNATIONAL BOND ISSUES

Currency	Amount in	Maturity	No. of years	Coupon %	Price	Book Name	Offer Yield %
US DOLLARS							
Alcan Indus. Inc. †	17	1992	5	1 1/4	100	Morgan Int.	1.575
Alcoa Indus. Inc. †	50	1992	5	1 1/4	100	Wells Fargo (Europe)	1.750
Dynalco Corp. †	100	1992	5	1 1/4	100	Yamichi Int. (Eur)	1.575
Shinri Corp. †	35	1992	5	2	100	Daiwa Europe	2.500
Asahi Corp. †	50	1992	5	1 1/4	100	Yamichi Int. (Eur)	1.750
Osaka Hansa Ind. †	300	1992	5	1 1/4	100	Morgan Int.	1.525
L.M. Ericsson †	60	2002	15	6 1/2	100	Morgan Stanley	6.575
Tokai Railway †	100	1992	5	1 1/4	100	Yamichi Int. (Eur)	1.575
Tokai Standard †	50	1992	5	1 1/4	100	Mitsui Secs (Europe)	1.750
Tokyo Ropa Ind. †	50	1992	5	2	100	Mitsui Secs (Europe)	2.500
Tokai Ind. †	50	1992	5	1 1/4	100	Morgan Int.	1.575
Tokai Indus. Inc. †	300	1992	5	1 1/4	100	Morgan Int.	1.575
Shimizu Chemical †	100	1992	5	1 1/4	100	Yamichi Int. (Eur)	1.575
Yamichi Int. Inc. †	60	1992	5	1 1/4	100	Morgan Int.	1.575
Mitsubishi F. Chemical †	150	1992	5	1 1/4	100	Mitsui Secs (Europe)	1.525
Solid Plastic †	40	1992	5	1 1/2	100	Morgan Int.	1.500
Hyogo Sogo Bank †	100	2002	15	1 1/4	100	Mitsui Secs (Europe)	1.525
Fukushima Sogo Bank †	50	2002	15	1 1/4	100	Mitsui Secs (Europe)	1.525
Victor Co. of Japan †	50	1994	7	(2 1/2)	100	Yamichi Int. (Eur)	*
Victor Co. of Japan †	100	1992	5	(1 1/4)	100	Yamichi Int. (Eur)	*
Mitsubishi Bank Credit †	100	1992	5	8 1/4	100 1/2	Dentsaku Bk.	8.125
Met. Home Loan Corp. †	100	1992	5	8 1/4	100 1/4	Commerzbank	8.500
BJR Nabisco †	100	1994	7	8 1/4	101 1/4	Bk. of America Int.	8.450
Mitsubishi †	100	1992	5	(1 1/4)	100	Daiwa Europe	*
Mitsubishi Chem. †	200	1992	5	(1 1/4)	100	Yamichi Int. (Eur)	*
Canon Ind. †	100	1992	5	1 1/4	100	Yamichi Int. (Eur)	*
Jerome Steel, Mfg. †	150 (a)	-	-	(5 1/2-7)	100	CSFB	*
Tokai Bank †	100	1992	5	(1 1/4)	100	Morgan Int.	*
Hokuriku Bk. †	100	2002	15	(1 1/4)	100	Yamichi Int. (Eur)	*
Yamichi Int. Corp. †	100	1992	5	8 1/4	101 1/4	Mitsui Secs (Eur)	8.100
Black & White Ind. †	110	1994	8.7	10 1/2	100.15	CSFB	-
EUROBONDS							
Deutsche Ind. Fin. †	200	1997	10	6 1/4	100	Deutsche Bk.	6.125
Deutsche Ind. Fin. †	150	1994	7	6 1/4	100	Deutsche Bk.	6.125
Deutsche Ind. Fin. †	200	1992	5	5	100	Deutsche Bk.	5.400
STERLING							
Goodman Fielder UK †	85	1997	10	5	100	CSFB	5.500
Asian Dev. Bk. †	50	1997	10	9 1/2	101 1/2	Country Natwest	8.210
One Corp. †	60	2002	15	5	100	Yamichi Int. (Eur)	5.800 (b)
World Bank †	200	2007	20	8 1/4	98 1/4	Rating Baa.	9.300
EUROBONDS							
Deutsche Ind. Fin. †	200	1992	5	5	100 1/4	Deutsche Bk.	5.500
EUROBONDS							
Deutsche Ind. Fin. †	300	1993	5	7 1/4	100	Ban. Paribas (Lux)	7.575
Deutsche Ind. Fin. †	300	1992	5	7 1/4	100 1/4	BEL	7.400
EUROBONDS							
Japan F. Ind. Corp. †	120	1994	7	7 1/4	101 1/4	Bk. of Tokyo Cap. Mkt.	7.170
Kanagawa Ind. Corp. †	100	1992	5	8	101	Mitsui Secs (Eur)	7.750
Solid Plastic Corp. †	40	1992	5	7 1/4	101 1/4	Mitsui Secs (Eur)	6.550
SWISS FRAMES							
Frank & Co. †	100	1992	-	2 1/4	100	Credit Suisse	2.750
Alcan Indus. Inc. †	120	2002	-	2 1/4	100	Credit Suisse	2.750
L.M. Ericsson †	200	1990	-	5	100	SBC	5.500
Swedish Reg. Ind. †	40	1994	-	4 1/4	100	Ban. Paribas (Lux)	4.875
Council of Europe †	50	1994	-	4 1/4	100 1/4	Kreditbank (Swiss)	4.850
Dortmund †	150	1995	-	5	100 1/4	USC	4.800
SW Bank †	150	1997	-	4 1/4	123	Bank Int.	2.800
Don Horka Ind. Corp. †	50	1994	-	2 1/4	100	Ban. Paribas (Lux)	2.500
YEN							
Canada †	800m	1992	5	4 1/4	101 1/2	Morgan Int.	4.800
Standard Chartered †	120m	1992	5	(4)	103	Yamichi Int. (Eur)	(d)
DFC Ind. Corp. (c) †	100m	1992	5	8 1/4	101 1/2	BJJ Int.	7.750
NEW ZEALAND DOLLARS							
Deutsche Ind. Fin. Corp. †	65	1989	2	18 1/4	101 1/4	Morgan Int.	17.400
AUSTRALIAN DOLLARS							
Landbank Stat. Corp. †	50	1992	5	13 1/4	101 1/4	ANZ	13.250
First Fin. & Trade †	50	1990	3	14 1/4	101 1/4	CSFB	13.450
BNP NV Amsterdam †	65	1991	4	14	101 1/2	CSFB	13.400
BP Capital BV †	100	1992	5	13 1/4	101 1/4	Deutsche Bk.	13.250
CANADIAN DOLLARS							
First American Bk. †	50	1992	5	8 1/4	101 1/4	CBS	9.450
Amco Fuel Sales Canada †	75	1992	5	10 1/4	100	Wood Gundy	10.250

* Not yet priced. † Fixed terms. ** Private placement. † With equity warrants. † Floating rate note. † With gold call and put warrants. (a) 150,000 convertible cum preference shares with a nominal value of \$1000 each. The preference shares will be convertible into ordinary JSH shares at an indicated premium of 12-15%. (b) Put option on April 15 1992 has been set at 120% to give a yield to put of 8.54%. (c) Dual currency, coupon in Australian dollars. (d) 5% for first year, then 1/4 over New Zealand dollar bank bill rate.

BHF-BANK

A\$40,000,000

BHF-BANK Finance (Jersey) Limited

14 3/8% Guaranteed Bonds due 1992

irrevocably and unconditionally guaranteed by

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GENOSSENSCHAFTLICHE ZENTRALBANK AG

NEDERLANDSCHE MIDDENSTANDSBANK NV

SWISS BANK CORPORATION INTERNATIONAL LIMITED

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WESTPAC BANKING CORPORATION

CIBC LIMITED

ORION ROYAL BANK LIMITED

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DSL BANK DEUTSCHE SIEDLUNGS- UND LANDESRENTENBANK

KREDIETBANK INTERNATIONAL GROUP

PRIVATBANKEN A/S

TOKAI INTERNATIONAL LIMITED

WESTDEUTSCHE LANDESBANK GROSZENTRALE

WOOD GUNDY INC.

4th March, 1987

All of these securities have been sold. This announcement appears as a matter of record only.



SAAB-SCANIA

Saab-Scania Aktiebolag

U.S.\$150,000,000

7 3/4% Bonds due 1992

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GENERALE BANK

KANSALLIS BANKING GROUP

NOMURA INTERNATIONAL LIMITED

PRIVATBANKEN A/S

SVENSKA HANDELSBANKEN GROUP

2nd April, 1

UK COMPANY NEWS

Arthur Smith looks at Canning's transatlantic success

UK next for home healthcare

FEW entrepreneurs, taking over a traditional West Midlands metal-bashing company in the depths of recession, would have spotted the money-making connection to create a transatlantic enterprise out of silver refining, extracted teeth and dog's urine.

For David Probert, chairman and chief executive of W. Canning, established as drysalers in Birmingham in 1785, it has contributed to the creation of one of the fastest growing medical services groups in the US.

Medserv, set up 30 months ago with the acquisition of two dental laboratories in the US, now claims the largest chain in the world operating from 51 locations in North America and Mexico. It has extended into the burgeoning US home healthcare sector and now plans to introduce the concept to the UK.

With minimal investment by using its dental laboratories, Medserv is developing a US network of diagnostic laboratories to serve the 40,000 vets and 17,000 animal hospitals and clinics.

Medserv announced details this weekend of the proposed \$70m purchase of a US medical services company that would push annual turnover to around \$300m, with some 7,000 employees. Further details are under discussion and turnover is projected to more than double to "at least \$500m" by 1990.

But the very success of the US venture has posed problems for Mr Probert. Financing the

rapid growth pushed US debt to \$7.94m in the past financial year, accounting for around half group borrowings and raising gearing from 18 per cent to 84 per cent.

Probert, a chatty and colourful rather than dour accountant, feared his company could face the fate suffered by another West Midlands-based group, LCP, which was acquired by Ward-White for its growth motor components distribution business in the US, with the other operations being sold off.

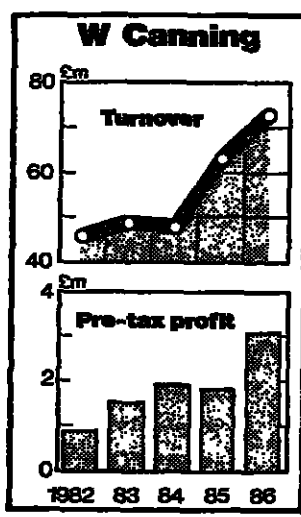
The remedy he resolved—a private placing of Medserv shares in the US—he describes as "bittersweet." Bitter, he says, because no one likes to give up full control of an enterprise they have created.

"Sweet," he adds with a chuckle, "because we shall make more money for our shareholders."

Under the deal, which is subject to shareholders' approval, Canning will reduce its equity holding in Medserv from 90 per cent to 40 per cent for \$17.25m (£11.6m). The balance will be taken up by Medserv management and US-based institutional investors.

The move will increase Canning's net assets from £13m to £19m and put £5m cash in the bank—a position from which Probert says the group can review "a shopping list as long as your arm."

He concedes the lower shareholding will inevitably reduce Medserv's contribution to group profits in the current year, but argues this will be more than



His five year targets he says is to see the market capitalisation of Canning, currently at around \$40m, more than double in real terms to around £100m: "I think then we would be a proper international business."

For the outsider to attempt to forecast the pattern of growth might be impossible on the experience of the US venture. Probert bought the dental laboratories initially because they collected waste from dentists, including extracted teeth with silver and gold fillings suitable as raw material for John Betts, the Birmingham precious metals refiner.

The logic of the network of veterinary laboratories is that the same vehicles can collect animal blood, urine and other samples for diagnosis.

Dennis Sokol, the larger than life chief executive who with Probert has built up the Medserv business points out there are 100m cats and dogs in the US contributing to a \$10bn a year business.

But it is the fast growth homecare business, which in the US grew, last year alone, from \$5bn to \$8bn, that he wants to bring to Britain. With people being discharged from hospital sooner Medserv provides the full range of medical equipment from intravenous drips to crutches and wheelchairs.

Sokol says he may seek a UK partner but aims to be in business in this country before the end of the year.

St Ives moves into packaging

By Steven Butler

St Ives, the book and magazine printing group, has fed its acquisition appetite again with the purchase of the packaging division of the Coloroll Group for \$5.6m.

Coloroll Packaging manufactures and distributes some 160m plastic packaging bags annually for the retail industry. Profits attributable to the packaging division in the year to the end of March reached \$685,000 on a turnover of \$3.96m.

St Ives will be buying assets with a book value of \$1.5m at the end of March, along with patents, licences and contracts.

The acquisition is St Ives first step out of the book and magazine printing business, and Mr Robert Gavron, chairman, said the group hoped to develop a significant packaging division.

The purchase is to be satisfied in cash, with funds raised by the issue of 782,191 new ordinary shares which N. M. Rothschild has placed at 730p. St Ives shares closed at 765p, up 15p, on Friday.

Delmar

An extraordinary surplus on disposal of properties of \$86,000 has helped Delmar Group to lift its attributable profit from \$340,000 to \$454,000 in the year ended March 31, 1987.

Turnover of the group, a rubber and plastics fabricator and extruder, rose 7.5 per cent to \$5.5m (£3.13m) while the profit improved by just over 3 per cent to \$585,000 (£366,000). Earnings came to 5.21p (4.81p) after tax of \$217,000 (£226,000). The dividend is raised from 2p to 2.15p net.

LENDU HOLDINGS rubber production and investment) lifted earnings for 1986 to \$196 (0.15p) and raising dividend to 1.3p net (0.75p).

Mr David Beatty, chairman of Jarvis, says "this is the latest

Merlin International in £38m cash call

BY PAUL CHESERIGHT, PROPERTY CORRESPONDENT

Merlin International Properties is seeking to raise £37.8m by a rights issue of 622 ordinary shares and 30m convertible preference shares.

The finance raised will be used to fund a link-up, announced last month, with companies in Australia, the US and the UK and to provide funds for the development of speciality shopping centres.

The shares will be offered in parcels, each one made up of one ordinary share and five convertibles, Merlin said. Two parcels will be offered for every five existing ordinary shares.

Each parcel is worth 630p, made up of 130p for the one ordinary and 100p each for the convertibles.

The Merlin directors and one other shareholder are not taking up their entitlement of 3m parcels, but Citicorp Investment Bank, which has underwritten the issue, has placed the shares with institutions.

Merlin shares were suspended just before the link-up announcement at 225p, but it is hoped that trading will resume on June 30, the day after an extraordinary general meeting

called to approve the rights.

The convertible preference shares carry a dividend of 11.25 per cent. They can be converted into ordinary shares between 1992 and 2002 at the rate of one ordinary for every 15p in nominal amount of the convertibles.

Merlin is linking with the Hayson Group of Australia and Enterprise Development Company in speciality shopping centres. It is also buying Abbeygate, a private UK developer, whose founder, Mr Peter Jevans, becomes the Merlin chief executive.

British Aerospace

British Aerospace has again warned that foreign ownership of its shares, at 14.84 per cent on June 3, was approaching the trigger point of 15 per cent, after which holders of excess foreign-held shares are required to dispose of them.

BAe's articles of association limit foreign ownership to 15 per cent in order to keep the company under domestic control.

J. Jarvis rejects offer

J. Jarvis, the building group, has rejected the £7.5m cash bid from Brookville Securities, describing it as "inadequate and wholly unacceptable."

Brookville launched its £7.50 per share bid on Thursday after it took its shareholding to 32.76 per cent, thereby triggering a clause in the Takeover Code requiring it to make a full offer.

The company was formed by Mr Harvey Bard, a London property investor, who tried and failed to join the Jarvis board in October.

Mr David Beatty, chairman of Jarvis, says "this is the latest

in a number of attempts by Mr Bard of Brookville to become actively involved with Jarvis. The proposal fails to take account of our excellent prospects."

Mr Bard says he is disappointed but will proceed with the bid. Jarvis is being advised by Kleinwort Benson and Brookville by PK English Trust.

William Morris losses cut

William Morris Fine Arts, sculpture castings and wallpaper manufacturer, substantially reduced its losses in 1986 from £2.74m to £778,000, on a turnover down from £11.4m to £8.04m.

The directors said four new ranges of wallpaper had been well received and sales of the two ranges already on the market had considerably exceeded expectations. The company anticipated that these new ranges, coupled with the traditional product would give profitable volumes over the remaining months of the year.

Sale of the Morris Singer Foundry to Gamblestad, a private Swedish bank, for up to £1.5m cash has been agreed, subject to shareholders' approval. It was hoped that this, coupled with the efficient operations of the wallpaper division and aggressive efforts to increase sales volume, would enable the group to once again establish itself on a profitable basis.

The loss per share last year worked out at 2.42p (7.58p).

Bristol

The 1986 results of Bristol Stadium have received a boost from the completion of the Tesco store project, which has led to an extraordinary credit of £1.58m.

That meant the profit available came to £1.67m, compared with £41,000 a year earlier. The dividend is lifted from 1.2p to 1.4p net per share.

Turnover for 1986 amounted to £1.69m, up from £1.58m. Profit was £137,000 (£118,000), backed up by related companies £56,000 (loss £10,000). Tax charge was £180,000 (£87,000).

GT Global net assets up 22%

G.T. Global Recovery Investment Trust's net asset value at March 31 1987 was 22.2 per cent up at 227.9p (186.5p) on a year before and 28 per cent higher than at September 30 last.

Total income was down slightly from £1.27m to £1.24m but a sharp fall in interest payable, £102,000 down at £376,000, was largely reflected in a rise from £465,000 to £505,000 in profits before tax.

Taxation took £164,790 (£147,066) leaving earnings per share of 3.4p (3.18p) for the dividend, increased from 2.5p to 3p with a recommended final of 2.25p.

Lucas completes US aerospace purchase

Lucas Industries, the automotive, aerospace and industrial components group, has had completed the acquisition for \$85.8m cash of Western Gear, the aerospace subsidiary of the Wisconsin-based Becor Western.

The purchase price was more than the initially anticipated \$79.5m, reflecting the value of Western Gear net assets (\$83.8m) at the end of March.

Dr Alan Watkins, managing director of Lucas Aerospace, said: "This acquisition is the most significant step so far in Lucas Aerospace's international

development in the US and Europe, and is the culmination of 2 years' activity which will see the company almost double in size."

Western Gear manufactures actuation systems, auxiliary gearboxes, helicopter transmissions, weapon rails, stores ejector units, cargo systems and electric motors, with the first quarter of 1987 showing sales of \$45.5m and pre-tax profits of \$4m.

The acquisition takes Lucas' total aerospace sales by US operations to over \$200m.

Heavitree lifts profits by 13%

Heavitree Brewery reported a 13 per cent increase in pre-tax profits for the half year to April 30 1987, from £392,000 to £442,000.

The results reflect a slight improvement in margins—pre-tax to turnover—from 17.3 to 18.5 per cent for turnover was up by £135,000 over the corresponding period of the previous year to £2.4m (£2.26m).

The trading loss of a subsidiary was £16,000 (£1,000 profit) and the share of loss of associated company was £1,000 (£10,000 profit).

The interim dividend is raised from 2p to 2.4p; last year's total payment was 11p.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus *) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

Date	Announcement last year	Date	Announcement last year
*Allied Colloids...June 10	Final 1.8	*Johnson...June 18	Final 2.0
*Aramco...June 10	Final 1.8	*Lombard...June 18	Final 2.1
*Argyll Group...June 24	Final 5.1	*Metals Box...June 9	Final 12.9
*B&B...June 25	Final 5.5	*Meyer Ind...June 16	Final 3.8
*BT...June 18	Final 4.6	*Morcham...June 16	Final 3.75
*Beecham...June 11	Final 6.9	*Pilkington...June 10	Final 8.5
*Bristol...July 1	Interim 1.25	*Preston...June 23	Final 2.28
*British Gas...June 17	Final due	*Reed Int...June 3	Final 16.0
*British Land...June 18	Final 2.0	*Rothschild Ind...June 24	Final 4.5
*Cable and Wireless...June 25	Final 6.0	*Rothschild (J)...July 1	Final 12.8
*Charter Cns...June 25	Final 7.75	*Scott and Newell...July 1	Final 4.82
*Cosline...June 2	Final 5.5	*Seawater...June 2	Final 12.8
*Daily Mail and Genl Tel...July 10	Interim 16.0	*Skatchley...June 2	Final 6.7
*De La Rue...June 3	Final 24.75	*Storehouse...June 25	Interim due
*Ferretti...July 1	Final 1.15	*TSA...July 10	Final 12.5
*Great Portland Estates...June 10	Final 4.8	*Trusthouse Forte...July 1	Interim 1.33
*Guinness...June 25	Final 1.25	*Unigate...June 9	Final 6.25
*Hogg Robinson...July 8	Final 5.23		

GRANVILLE SPONSORED SECURITIES

Capitalists	Company	Price on week div. (p)	%	P/E
5,422	Ass. Brit. Ind. Ordinary	180	—	7.3 4.6 9.8
—	Ass. Brit. Ind. CU	163	—	10.0 6.1 —
800	Amalgams and Rhodes	36	—	4.2 11.7 5.0
6,293	BBB Design Group (USM)	76	—	1.4 1.8 18.1
78,117	Bardon Hill	243	+5	4.8 1.9 27.6
8,548	Bry Technologies	155	—	4.7 3.0 12.4
987	CCZ Group Ordinary	162nd +14	15.7	7.1 4.2
1,463	CCL Group 11pc Conv. Pref.	117	+11	15.7 12.4 —
17,315	Carborundum Ordinary	144nd +2	5.4	3.5 12.5
558	Carborundum 7.5pc Pref.	94	—	10.7 11.4 —
1,845	George Blair	100	—	3.7 3.7 2.6
9,559	Iata Group	120	—	18.3 — —
8,574	Jackson Group	132	+3	8.8 5.2 7.3
53,231	James Burrough	380	+7	18.2 4.8 8.6
3,327	James Burrough Spc Pref.	95	+1	12.9 13.8 NA
41,328	Multihouse NV (AmstSE)	530nd	—	21.0
5,729	Record Highway Ordinary	423	+3	— 8.5
2,522	Record Highway 10pc Pref.	85	—	14.1 18.4 —
816	Robert Jenkins	60	—	— 3.5 —
4,590	Suttons	102	+4	— — —
4,076	Torday and Carlisle	167nd +5	6.6	4.0 21.3
1,532	Trevian Holdings	380	+15	7.9 2.2 7.5
21,000	Unilock Holdings (SE)	105	+2	2.8 2.7 19.3
40,703	Weir Alexander	157	+7	6.0 3.2 16.0
4,561	W. S. Yates	195nd	—	17.4 8.9 19.5
4,240	West Yorks. Ind. Hosp. (USM)	107	+2	6.5 5.1 11.4

Granville & Company Limited
8 Lovat Lane, London EC3R 8RP
Telephone 01-621 1212
Member of FIMBRA

Granville Davies Coleman Limited
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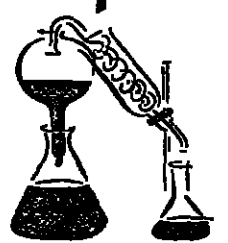
Automotive



Business Machines



Buying Offices



Inspection and Testing



Insurance Broking

A NEW STYLE FOR INCHCAPE

A new corporate strategic plan was developed and implemented during 1986 which sets clearly defined objectives for the Group, based on a reduction in activities from about thirty to ten core businesses.

There have been major changes in our organisation structure and the management team has been strengthened significantly.

We are developing a new style of management for Inchcape, based on high standards of performance. Through this, and our new strategy, the Group is rapidly becoming a modern international services and marketing organisation.

George Turnbull
Chairman and Chief Executive

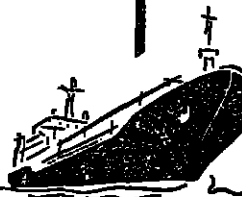
1986 FINANCIAL HIGHLIGHTS

	1986 £000	1985 £000
Profit on ordinary activities before taxation	86,061	46,232
Earnings for ordinary shareholders	42,578	17,294
Earnings per ordinary share	50.20p	20.04p
Dividends per ordinary share	21.00p	18.15p

For a copy of our 1986 Report and Accounts, please write to Diana Le Lèvre, Inchcape PLC, 40 St Mary Axe, London EC3A 8EU.



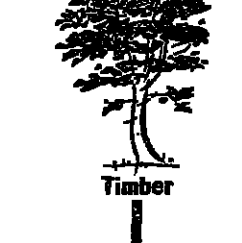
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Shipping Agencies




Tea



Timber




Wines and Spirits



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WITH EFFECT FROM MAY 1987

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London WC2R 0EA
or call:
Chris Ballentyne 01-438 1186
or Glynn Davies 01-438 0840

FINANCIAL TIMES STOCK INDICES											
	June 3	June 4	June 5	June 6	June 7	June 8	May 29	1987 High	1987 Low	Since Compilation	Low
Government Secs.	92.15	91.81	92.86	92.47	92.49	92.43	93.32	84.49	127.4	49.18	
Fixed Interest	98.01	98.24	98.21	98.33	97.99	98.06	98.54	90.23	150.4	50.53	
Ordinary	1729.9	1724.6	1739.6	1724.3	1730.7	1712.1	1739.6	1320.2	1739.6	49.4	
Gold Mines	398.3	389.0	389.7	380.2	378.6	388.6	388.6	288.2	734.7	43.5	
FT-Act All Share	1109.95	1109.11	1111.82	1106.63	1108.80	1097.29	1115.20	838.48	1115.20	61.92	
FT-SE 100	2228.8	2214.2	2235.4	2213.6	2228.1	2203.01	2235.5	1674.5	2235.4	98.9	

GULF CO-OPERATION COUNCIL

The Financial Times proposes to publish this survey on the following dates:
MONDAY, JUNE 8 1987
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UK COMPANY NEWS

James Buxton on the surgery being applied to Lilley
A tough bedside manner

LAST OCTOBER a drive by F. J. C. Lilley, the Glasgow-based construction company, to diversify into overseas construction markets came to a juddering halt. In a few days of confusion the company postponed announcing its interim results, was obliged to request the suspension of share dealings, and then disclosed a loss of more than £24m for the six months to July 1986.

At that point the company's 13 creditor banks extended credit lines to Lilley only until December in order to force it to take drastic action, realising that it urgently required the services of a company doctor.

Shortly before Christmas, following an initial approach by the Bank of England, Mr Lewis Robertson, a 64-year-old Scot, took over as chairman and brought in a new chief executive, Mr Joe Barber. The former chairman, Mr Campbell White, resigned and the previous chief executive, Mr Douglas Neill, retired.

Mr Robertson is almost a professional company doctor. An accountant by training, since he retired in 1981 from being the first chief executive of the Scottish Development Agency he has led the rescue of both the engineering group Triplex and the meat processing company Borthwick. The term company doctor suits him well.

Mr Robertson is currently applying drastic surgery to Lilley. The company began seeking large overseas contracts in the mid-1970s, believing that it was too dependent on UK public sector work.

After experiencing a little of the construction boom in the Middle East it decided in the early 1980s to enter the US market, buying 80 per cent of Harrison Western, a Denver-based company specialising in shaft sinking and tunnelling. It also acquired J. W. Cowper, a building company based in Buffalo.

Lilley envisaged Harrison Western growing to match in size the UK activities of Lilley and Mr Allan Provost, the US company's chairman and chief executive, received very substantial commitments of finance from the parent company. In the year to January 1987 the US accounted for £106m out of total group turnover of £351m.

Harrison Western, however, became the major source of Lilley's problems. It ran into

technical difficulties on a number of contracts, some of which it had underbid in the US construction recession of 1984. On one of them, a tunnelling contract in Milwaukee, it lost \$15m.

These problems might have been avoided or contained had Lilley established procedures for obtaining information and exercising control which Mr Robertson thinks should be normal for a company with overseas subsidiaries.

As it was, he says, the members of the Lilley board were "the last to know" what was going on as the crisis built up last summer. They had previously been comforted by pre-tax profit for 1985-86 of \$9.5m.

But some of this, Mr Robertson says, existed only on paper and never flowed into the parent company's bank account. In his annual report to shareholders, Mr Robertson refers to the 1985-86 profits as "reported".

The treatment for Lilley is now well underway. Messrs Robertson and Barber have been joined by Mr James Armstrong as finance director; he was previously finance director of EAT Group where he had experience of extracting the company from a disastrous property investment in the US.

The new Lilley team's first step was to begin to reduce the company's debt, which reached a peak of £57m last year—by selling off UK subsidiaries in peripheral activities such as quarrying and plant hire. Net borrowing was down to £32m by the beginning of May.

The new management decided to concentrate what it believes to be all the shocks for shareholders, bankers and issuers of performance bonds into one heavy blow.

Whereas the previous management stated, when the company's share quotation was resumed last October, that the first-half loss of £24.48m would be the limit of the red ink and that the company would return to profit in the second half, Lilley last month announced a loss of £50.4m. Before exceptional items the loss came to £10.72m (with overseas losses of £13.5m, mainly from the US, being offset by profits on UK activities).

On top of that Lilley decided to write off £24.6m in the US and pull out of a contract to



Mr Lewis Robertson, chairman of Lilley

build barracks in Algeria, at a cost of £11m, rather than risk further losses. Provision for bad debts and bank refinancing charges took another £4.4m and there was no dividend.

The next stage is to dispose of its US interests. J. W. Cowper is up for sale and arrangements are being made to put Harrison Western on the market. Lilley values its assets in the US at about \$35m. If these sales could be successfully completed this year it might be possible, along with the gradual reduction of debt through cash flow, to get borrowing down to about £10m.

At that point Lilley might ask its shareholders to subscribe to a rights issue. They have seen their funds reduced

Scapa's agreed bid for Rotunda

from £59m to £18m in the past year with the wiping out of the company's reserves, though on Wednesday they are to be asked to approve the cancellation of a £14.8m share premium account to offset the accumulated deficit of £18.06m on the profit and loss account.

That would mean that the company only has to achieve relatively small pre-tax profits this year to resume paying a dividend, which is what Mr Robertson hopes to do.

He and Mr Barber believe these measures—coupled with an eventual withdrawal from other foreign operations in Hong Kong and Egypt when contracts are completed—will leave Lilley with a balance sheet strong enough to support the company in its eventual form: that of a construction company operating only in the UK.

It will consist of Lilley's four main UK subsidiaries, Lilley Construction, Melville Dundas and Whiston, Robison and Davidson, and Eden Construction; all well regarded companies operating in England and Scotland, currently performing satisfactorily with total turnover amounting to about £150m.

Both Mr Robertson and Mr Barber agree that this may be an unglamorous prospect. But they think Lilley is too small to operate on the far-flung scale of the past, and they question whether much glamour attaches to the kind of losses it was making. Shareholders, who saw the price of their shares plummet from about 65p to 24p last year before rising to around 47p where they now stand, are likely to agree.

Scapa, the industrial holdings group, has agreed a £14.2m offer for Rotunda, the manufacturer of specialist adhesive tapes.

Scapa is offering 196p cash for each Rotunda ordinary share. On Friday Rotunda shares closed 44p up at 190p, while Scapa gained 6p to 290p.

Mr Ray Goodall, Scapa chairman, said that Rotunda's activities would complement Scapa's industrial textile business, creating a division with combined turnover of £16-17m.

Rotunda's taxable profits for 1986 were £1.01m on turnover of £11.3m, ahead of the £875,000 forecast when the company was floated on the LSE in March last year.

Mr Goodall said the acquisition would reduce the share of Scapa's profits derived from the US to 50 per cent, rather than the 58 per cent when interim profits of £28.2m were announced last December.

FT Share Information

The following securities have been added to the Share Information Service: Burford (Section; Property) Cooper (A.) Higgs (Industries) Filafax (Paper; Printing) Murray Ventures Warrants (Investment Trusts) Perpetual (Trusts; Finance Land) Stoddard (Higgs) (Ord) (Textiles) Waste Management (Americans) Wickes 51 per cent Sub Conv Uns La (Drapery and Stores).

NOBLE AND LUND p.l.c.

(Registered in England No. 62248)

RIGHTS ISSUE

of 3,863,500 8 per cent. Convertible Cumulative Redeemable Preference Shares of £1 each at par ("Convertible Preference Shares")

This advertisement appears in connection with the rights issue of 3,863,500 Convertible Preference Shares in the Company which are offered to Ordinary shareholders on the register at the close of business on 29th May, 1987 on the basis of 1 Convertible Preference Share for every 2 Ordinary shares of 10p each then held. The Council of The Stock Exchange has admitted the Convertible Preference Shares to the Official List. Dealings commence on 8th June, 1987.

Details of the listing particulars relating to the Company and the Convertible Preference Shares required by The Financial Services Act 1986 are available in the Extel Statistical Services.

Copies of the circular to shareholders containing the listing particulars may be obtained during normal business hours on any weekday, Saturdays and public holidays excepted, up to and including 26th June, 1987 from:

Noble and Lund p.l.c.
Northern Machine,
Tool Works,
Felling, Gateshead,
Tyne and Wear,
NE10 0LL

Gilbert Elliott & Company,
Salisbury House,
London Wall,
London
EC2M 5SB

and, until 12th June, 1987 only, from:

Companies Announcement Office,
The Stock Exchange,
Throgmorton Street,
London EC2P 2BT

8th June, 1987

We're laying the foundations for the future**BOARD MEETINGS**

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interim or final and the subdivisions shown below are based mainly on last year's timetable.

TODAY
Interim: Durban Roadport Deep, East Rand Proprietary Mines.
Final: Amersham International, Blyvooruitzicht Gold Mining, Esconline Minerals, P. and C. Alliance Investment.

Next Week
Great Western Resources, Hazlewood Foods, Investment Company, Milward Brown, Northumbria Fire Food, Osborne and Little, Printprint, Sanders and Sidney, Yellowhammer, York Mount.

FUTURE DATES
Interim: Camford Engineering June 10
Fenner (J. H.) June 16
Watson and Philip June 16
Final: Brown Shipley June 12
Dominion International June 15
Leigh Interests June 24

Algemene Bank Nederland N.V.

(Incorporated in the Netherlands with limited liability)

**Rights Issue
of
15,000,000
Convertible Preference Shares
of FL10 each
at FL48 per share**

As already announced Algemene Bank Nederland N.V. is offering 3 new Convertible Preference Shares of FL10 nominal value for every 2 Ordinary Shares of FL100 nominal value already held.

Holders of dividend coupons numbered 74 who wish to take up all or any of their rights should apply to:

Baring Brothers & Co., Limited
Securities Department,
Second Floor,
3 Bishopsgate,
London EC2N 4AE.

or to
Algemene Bank Nederland N.V.
61 Threadneedle Street,
London EC2P 2HH.

35 Waterloo Street,
Birmingham B2 5TL.

61 King Street,
Manchester M2 4BD.

for copies of the prospectus and application form.

Application for the new Convertible Preference Shares should be made not later than 3 p.m. on Friday, 26th June, 1987, by lodgement of the completed form at any of the addresses mentioned above, payment being made in accordance with the instructions contained in the prospectus. The new Convertible Preference Shares will only be listed on the Amsterdam Stock Exchange. Dealings in all paid rights are expected to commence on Tuesday, 9th June, 1987.

The Seiyu, Ltd.

(Kabushiki Kaisha Seiyu)

U.S.\$50,000,000

Guaranteed Floating Rate Notes 1988

For the six months

9th June, 1987 to 9th December, 1987

In accordance with the Provisions of the Terms and Conditions of the Notes, notice is hereby given that the Rate of Interest has been fixed at 7 1/2 per cent per annum, and that the interest payable on the relevant interest payment date, 9th December, 1987 against coupon No. 8 will be US\$ 1985.68.

The Industrial Bank of Japan, Limited
Agent Bank

There is another important event on June 11th: the Annual General Meeting of George Wimpey PLC.

So, as the country decides its direction for the future, we'll be pointing out ours.

With the business leaner, fitter and increasingly profitable, we are poised for expansion and development on a worldwide scale.

The pattern is already established.

We've consolidated the core businesses and reshaped them into divisions that share common

resources, common goals. And the results are already there to be seen:

Pre-tax Profits:	+42 percent to £66.5m
Earnings Per Share:	+23 percent to 18.35p
Dividends:	+27 percent to 4.75p

The full story is in our Annual Report. For a copy, fill in the coupon and send it to Angus Miller, Corporate Relations Dept, George Wimpey PLC, Hammersmith Grove, London W6 7EN.

NAME & POSITION	COMPANY
ADDRESS	POST CODE

WIMPEY

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers Ltd (c) 33 King William St, EC4R 3AG 01-478 2200 Mercury Fund Managers Ltd (c) 33 King William St, EC4R 3AG 01-478 2200 Mercury Fund Managers Ltd (c) 33 King William St, EC4R 3AG 01-478 2200	Prudential Unit Trust Mgrs Ltd (a) (b) (c) 15-17 Old Broad St, EC2M 1JG 01-478 2200 Prudential Unit Trust Mgrs Ltd (a) (b) (c) 15-17 Old Broad St, EC2M 1JG 01-478 2200 Prudential Unit Trust Mgrs Ltd (a) (b) (c) 15-17 Old Broad St, EC2M 1JG 01-478 2200	Standard Life Trust Mgrs Ltd 15-17 Old Broad St, EC2M 1JG 01-478 2200 Standard Life Trust Mgrs Ltd 15-17 Old Broad St, EC2M 1JG 01-478 2200 Standard Life Trust Mgrs Ltd 15-17 Old Broad St, EC2M 1JG 01-478 2200	Abbey Life Assurance—Contd. 15-17 Old Broad St, EC2M 1JG 01-478 2200 Abbey Life Assurance—Contd. 15-17 Old Broad St, EC2M 1JG 01-478 2200 Abbey Life Assurance—Contd. 15-17 Old Broad St, EC2M 1JG 01-478 2200	Channon Assurance Ltd (1) 15-17 Old Broad St, EC2M 1JG 01-478 2200 Channon Assurance Ltd (1) 15-17 Old Broad St, EC2M 1JG 01-478 2200 Channon Assurance Ltd (1) 15-17 Old Broad St, EC2M 1JG 01-478 2200	Green Financial—Contd. 15-17 Old Broad St, EC2M 1JG 01-478 2200 Green Financial—Contd. 15-17 Old Broad St, EC2M 1JG 01-478 2200 Green Financial—Contd. 15-17 Old Broad St, EC2M 1JG 01-478 2200	General Portfolio Life—Contd. 15-17 Old Broad St, EC2M 1JG 01-478 2200 General Portfolio Life—Contd. 15-17 Old Broad St, EC2M 1JG 01-478 2200 General Portfolio Life—Contd. 15-17 Old Broad St, EC2M 1JG 01-478 2200	The LAS Group 15-17 Old Broad St, EC2M 1JG 01-478 2200 The LAS Group 15-17 Old Broad St, EC2M 1JG 01-478 2200 The LAS Group 15-17 Old Broad St, EC2M 1JG 01-478 2200
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Utd Goldfields NL.....	116	—
West Coast 25c.....	30	—
Western Mines 60c.....	277	64

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Homestake Mining St.	122	4.15
McFisley Red Lake	324	-
Musto Explorations	151	-

New Suburb Inc CSI	86				
Marquette Gas Co	170	777			
Northwestern Gas	180				
Non-Occ. Razors	510	27.10	23.5	3.2	
On PpLcs '95-2000	5207.4	27.10	23.5	3.2	

THIRD MARKET					
Stock	Price	Last sal	div	Yld	
Midwest Gen 10c	485		3.5	7.1	22.2
Midwest Gen 10c	485		3.5	7.1	22.2
Midwest Int. Brkrs	125		13.5	2.5	4.13.43
Admiral Pet. 'A'	142				
Admiral Pet. 'B'	142				
Admiral Pet. 'C'	142				
Admiral Pet. 'D'	142				
Admiral Pet. 'E'	142				
Admiral Pet. 'F'	142				
Admiral Pet. 'G'	142				
Admiral Pet. 'H'	142				
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Admiral Pet. 'T'	142				
Admiral Pet. 'U'	142				
Admiral Pet. 'V'	142				
Admiral Pet. 'W'	142				
Admiral Pet. 'X'	142				
Admiral Pet. 'Y'	142				
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Admiral Pet. 'AA'	142				
Admiral Pet. 'AB'	142				
Admiral Pet. 'AC'	142				
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Admiral Pet. 'BZ'	142				
Admiral Pet. 'CA'	142				
Admiral Pet. 'CB'	142				
Admiral Pet. 'CC'	142				
Admiral Pet. 'CD'	142				
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Admiral Pet. 'CF'	142				
Admiral Pet. 'CG'	142				
Admiral Pet. 'CH'	142				
Admiral Pet. 'CI'	142				
Admiral Pet. 'CJ'	142				

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not listed on Stock Exchange and come under a lesser degree of regulation as listed securities.

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cover relates to previous dividend, P/E earnings, a Forecast, or estimated annualized on previous year's earnings. Y

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20p	78	Fin. 13% 97
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30	95	+3	CPI Hinder	35	
30	95		Carroll Index	34L	
30	118		Real Estate	32	+1
			Hall (T. & H.)	104	
			Reisen Hedges	38	
			Irish Ranges	346	
			Unders	345	-40

30	95	+3	CPI Hinder	35	
30	95		Carroll Index	34L	
30	118		Real Estate	32	+1
			Hall (T. & H.)	104	
			Reisen Hedges	38	
			Irish Ranges	346	
			Unders	345	-40

TRADITIONAL OPTIONS

3-month call rates

	P			B
30	35	NEI		8
30	47	Nat West Bk		55
30	46	P & O Dtg		55
30	42	Polly Tech		30
30	12	Secur Elect		30
30	30	RHM		30

SYSC.....	47	Rank Org
INT.....	48	Reed Intn
1.....	62	STC

27	Seal	12
27	TI	26
28	TSB	10
28	Thorn	42
28	Thorn EMI	50
28	Trest House	29
28	Turner Newall	29
29	Unilever	194
30	Victors	55
30	Wellcome	70
30	Worship	80
30	Property	80
31	Spr Ltd	17
110	Land Securities	32
MEPC		32
100	Peachey	32
85	ONS	3
30	BDM	3
30	Brit Petroleum	6
30	Burnham Oil	4
30	Charterhall	4
30	Premier	4

& Gen	25	Shel
Service	35	Tricentro
		Ultraman

Alk	25	Alk	25
B	25	B	25
Spencer	18	Spencer	18
Bk	25	Bk	25
Griffell	35	Griffell	35

selection of Options traded is given on the
Lamson Stock Exchange Report Page.

DIARY DATES

Trade fairs and exhibitions: UK

Currently
Fine Art & Antiques Fair (01-385 1200) (until June 14)
Olympia
June 10-11
National Joint Utilities Group
Exhibition and Conference (0923 77811)
NEC, Birmingham
June 10-20
Grosvenor House Antiques Fair
(0799-26699) Grosvenor House
June 16
Building Maintenance Refurbishment Expo (0474-874088)
Birmingham
June 21-22
Hair Fair—HAIR (01-940 6065)
G-Mex Centre, Manchester
June 22-24
Property Management & Archi-

Overseas

June 9-15
International Building Construction Exhibition—CONSTRUCTIO CHINA (01-486 1981)
Beijing
June 11-21
International Air Show (01-225 5566)
Paris
June 22-26
International Foundry Exhibition (021-455 9600)
Brno
June 22-26
International Wine, Spirits and Equipment Exhibition (01-225 5566)
Bordeaux
June 24-26
International Finance Roundtable: Globalisation of the world financial markets (New York (212) 694-0215)
The Plaza, New York City
June 26-27
South Conferences: Third World Stock Markets—the ignored option? (01-930 8411)
The Gloucester Hotel, SW7
June 28-29
Financial Times: International collaboration in aerospace—problems, progress and prospects (01-621 1355)
Paris
June 16-17
Financial Times: Retailing (01-621 1355)
Hotel Inter-Continental, W1
June 18
Longman Seminars: Commercial Agreements in the Music Industry (01-242 4111)
Convention Conference Centre, W1
June 19
International Business Communications: Pensioners regulations (01-235 4080)
Royal Lancaster Hotel, W2
June 22-23
Financial Times: World gold conference (01-621 1355)
Venice
June 23-24
Institute for International Research: Pricing, Hedging and Trading Options on Interest Rates (01-434 1017)
Moorgate Place, EC2
June 24-25
ESC: Commercial Exploitation and Protection of Computer

Business and Management Conferences

June 8-9
International Finance Roundtable: Globalisation of the world financial markets (New York (212) 694-0215)
The Plaza, New York City
June 9-10
South Conferences: Third World Stock Markets—the ignored option? (01-930 8411)
The Gloucester Hotel, SW7
June 28-29
Financial Times: International collaboration in aerospace—problems, progress and prospects (01-621 1355)
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Moorgate Place, EC2
June 24-25
ESC: Commercial Exploitation and Protection of Computer

Financial Times Conferences

Oil and Gas Reappraised

London—July 2 and 3, 1987

A substantial delegate list has already been formed for this next FT energy conference in London. Sir Lesley Murphy and Peter Gaffney are to chair and Dr Pierre Jungels, Mr Malcolm Peebles, Mr Henry Rowson, Mr Ted White and Mr George Band are among the speakers. Mr Algy Cluff makes a welcome return to an FT platform and Mr Bart Collins, Mr Christopher Masters, Mr Neil Pike, Mr Peter Whitbread and Mr John Deakin are among the other speakers. Mr Hans Henrik Ramn who has given several excellent papers on the Norwegian sector of the North Sea is coming to London in July and the Nigerian Petroleum Minister and Opec President, Alhaji Rikwan Lukman has accepted in principle to give the keynote address.

Telecommunications and the European Business Market

London—July 7 and 8, 1987

The Financial Times third conference on Telecommunications and the European Business Market will focus on the impact for change in telecommunications in Europe and how the changes will affect the large business user. The 1987 conference brings together a distinguished panel of speakers to review likely future trends and the opportunities for innovative use of telecommunications in both manufacturing and services. Contributors include: Mr Michel Carpentier, Professor Bryan Carsberg, Mr Luis Solana, Mr Gordon Owen, Mr Marino Benedetti, Mr Mike Sheridan, Mr Paul Reeve and Mr John Kelly.

World Motor Conference

Frankfurt—September 10 and 11, 1987

Strategic alliances, investments, distributive developments and relations with Japan with particular emphasis on the Japanese market are the major elements in this year's FT World Motor Conference. Two years ago in Frankfurt, Dr Carl Hahn and Mr Rob Lutz made fascinating contributions to the proceedings and they return to the platform this year. Among the other speakers are Mr Peter Schütz of Porsche, Mr Roger Vincent of Bankers Trust, Mr Giorgio Garuzzo of Iveco and Mr Hansjörg Manger of Robert Bosch.

All inquiries should be addressed to:

The Financial Times Conference Organisation
Minster House, Arthur Street
London EC4R 9AX
Tel: 01-621 1355 (24-hour answering service)
Telex: 27347 FTCONF G
Fax: 01-623 8814

WEEKEND FT

For information on advertising on the BOOKS PAGE
CONTACT SUE MATTHESON on
01-489 0033

Finance

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interim or final. The sub-divisions shown below are based mainly on last year's timetable.

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CONSTRUCTION CONTRACTS

£35m work for Haden Young

In recent months HADEN YOUNG has won contracts worth over £35m. In Scotland first-quarter successes total £8m, the largest being a £2.2m job for the mechanical and electrical installations at RNAD Crombie. Other major awards include mechanical and electrical services for DESS, Buchanan House, Livingston (£1.7m) and Babcock Power, Renfrew (£1.3m).

Orders worth £14m have been obtained in the North and Midlands. Two mechanical services contracts totalling £4.4m are underway for the North West Regional Health Authority in connection with the Manchester Royal Infirmary phase two development and central services complex. Other projects include services for the control and support buildings on the DP Dismantling gas gathering terminal (£1.6m), the design and installation of process pipework for the

refined product store at BNFL, Sellafield (£1.1m), multi-services design and construction of hotels for Trust House Forte in Hull and Novotel in York (£1.3m), and mechanical services for the Property Services Agency at RAF Leeming (£1.5m) and RAF Cranwell (£0.9m), as well as prime contract valued at £800,000 for mechanical and electrical services to office accommodation for the USAF in Harrogate.

In London and the South orders worth in excess of £15m have been won. The largest multi-services design and construction contract, a £2.1m project from Tarmac Construction for the Prudential Assurance Plaza office development in Reading. Other notable awards include the multi-services design and construction of Dee Corporation stores in Hatfield,

Bournemouth and Warrington totalling £1.8m, mechanical services to Tesco Stores in Truro and New Malden (£800,000), mechanical and electrical services to a Ministry of Agriculture and Fisheries laboratory for the Property Services Agency (£1.5m), a fast track multi-services prime contract in the Tower of London Jewel House awarded by the Property Services Agency (£450,000), design and construction of mechanical services for St Albans City Council offices (£700,000), a specialist leadwork contract for the roof renewal of Ely Cathedral (£220,000), the building services for the London Transport new maintenance workshop Acton (£2m), luxury flats in the Butlers' Wharf redevelopment (£1.5m), and glasshouses at Shell Research in Sittingbourne (£0.75m).

Bryant construction Retail Parks SOLIHULL BRACKNELL

Refurbishment at the Foreign Office in Whitehall and a new science laboratory for Westminster School are among new contracts valued at nearly £4m won by ASBE and BOBBER. The largest new project is the fitting-out of a new 11,840 sq ft office building for Thorn EMI at Tenterden Street, London W1. Also in the West End, the Amalgamated Engineering Union's offices in Denmark Street, London W1, are to be comprehensively refurbished. A similar-sized contract has been awarded by Rio Tinto-Zinc, whose main office reception in St James's Square, London SW1, is to be substantially upgraded by

Further gains include refurbishment of financial services premises for Barclays Bank at Cockspur Street, London SW1, the United Bank of Kuwait in Edgware Road, London W2, and the Halifax Building Society in Wembley.

Work has started on Safeway's new 'flagship' store which will have a sales area almost double that of the company's biggest currently-operating store and almost 12 times bigger than the store it replaces. The management contract for the construction of the £3.7m project in Grove Road, Sutton, Surrey, has been placed with CLARKE CONSTRUCTION (MIDLANDS), the subsidiary of the Clarke Group. The 100,000 sq ft store will have a 51,000 sq ft sales area compared with the 26,000 sq ft of Safeway's existing 35-year-old Sutton store. By utilising the roof as a car park in addition to adjacent land, the new project will have space for 400 cars. Clarke Construction has scheduled completion for November and Safeway plans to open it in the summer of 1988.

It has also won the £1.62m fitting-out contract for Safeway's new Harrogate store. In Leicester the company has started work on a £1.25m extension to George Oliver (Footwear) central warehouse. Other projects include new branches for McDonald's in Harrogate and a £250,000 restaurant in Nottingham, a £44,000 sports hall at Fenkridge for South Staffordshire District Council and a £350,000 seven-unit factory development at Wrexham for the Welsh Development Agency.

Shopping centre in Aberdeen

The development of Aberdeen's Bon Accord shopping centre has taken a significant step forward with the award of construction contracts by developers, Bredero Group. Contracts worth more than £2.5m over 20 months have been won by B&J and T&W.

CONSTRUCTION. The recent opening of a new road—Berry Street, connecting Loch Street to Galavogue—has allowed demolition to be completed at the city centre site. Under the contracts, Hall and Tawse will carry out all structural work on the 10-acre site, with the exception of housing and offices. The Bon Accord Centre will provide 270,000 sq ft of stores, shops, restaurant and leisure facilities as well as parking for 1,050 cars. Boots and C & A have already announced they will move into

Expansion for the London Hospital

HIGGS and HILL BUILDING has been awarded a £5m contract by the North East Thames Regional Health Authority to construct an extension to the London Hospital at Mile End in East London.

This involves construction of six 24-bed wards for the care of the elderly, a therapy unit, a day hospital for the elderly, and general and accident and emergency services, together with a two-storey corridor link with the existing hospital. The management contract for the construction of the £5.7m project in Grove Road, Sutton, Surrey, has been placed with CLARKE CONSTRUCTION (MIDLANDS), the subsidiary of the Clarke Group. The 100,000 sq ft store will have a 51,000 sq ft sales area compared with the 26,000 sq ft of Safeway's existing 35-year-old Sutton store. By utilising the roof as a car park in addition to adjacent land, the new project will have space for 400 cars. Clarke Construction has scheduled completion for November and Safeway plans to open it in the summer of 1988.

Telecommunications and the European Business Market: the perspectives for change

7 & 8 July, 1987
Hotel Inter-Continental
London

Company Notices

SOCIETE NATIONALE DES CHEMINS DE FER BELGES (SNCS)
NATIONALE MAATSCHAPPIJ DER BELGISCHE SPOORWEGEN (NMBS)
US\$75,000,000 Guaranteed Floating Rate Notes due November 1997
NOTICE IS HEREBY GIVEN that the SNCS and NMBS have issued the above mentioned Floating Rate Notes. The interest payable on the Floating Rate Notes will be determined by reference to the London Interbank Offered Rate (LIBOR) for the period from 12 months to 18 months. The interest payable on the Floating Rate Notes will be determined by reference to the London Interbank Offered Rate (LIBOR) for the period from 12 months to 18 months. The interest payable on the Floating Rate Notes will be determined by reference to the London Interbank Offered Rate (LIBOR) for the period from 12 months to 18 months.

The Board of Directors of the
TRUST MAATSCHAPPIJ CURAÇAO I B.V.
(formerly N.V.)

at Amsterdam will convene a meeting of their holders of certificates in the Marriott Hotel, Stadhouderskade 21, Amsterdam, on June 25th, 1987 at 10.30 a.m.

The Board of Directors of the
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Public Notices

MANCHESTER AIRPORT
The Civil Aviation Authority has referred certain questions relating to the Manchester Airport to the Monopolies and Mergers Commission under the economic provisions of the Competition Act 1980. The Commission are required to determine whether the airport charges which may be levied by Manchester over the five years commencing in 1988, and to investigate whether the levying of such charges over the period prior to this reference has operated against the public interest. The Commission are also required to report on whether any activities carried out for the benefit of airport operators, their passengers or consignees of cargo, whether by Manchester Airport or by any other person, might be exposed to operation against the public interest. These activities include the provision of such facilities as car parking, refreshment of passengers and the supply of consumer goods and services. The Commission have six months within which to report. Anyone requiring a copy of the terms of reference, or wishing to submit evidence or views on this inquiry should write as soon as possible to The Secretary, Monopolies and Mergers Commission, New Court, 40 Carey Street, London WC2A 3ET. Telephone: 01-621 6111. Monopolies and Mergers Commission, June 1987.

branches in the United Kingdom, which also had their principal places of business at Capital House, 1 Hound Street, Southampton SO1 1HL, which policies of insurance imposed on Societe Centrale Preservatrice Fonciere Assurance obliging the performance of which constituted the carrying on of a business in the United Kingdom. Copies of a statement setting out the particulars of the transfer are available for inspection at the offices of Societe Centrale Preservatrice Fonciere Assurance, 122, rue de Valenciennes, 75013 Paris, France, during normal business hours on any weekday (Saturdays and public holidays excepted) for a period of 30 days from the date of publication of this notice.

Contracts and Tenders

GOVERNMENT OF FIJI
FIJI ELECTRICITY AUTHORITY
SOMOSOMO MINI HYDRO PROJECT
Contract A—Manufacture and Supply of Generating Equipment
INVITATION TO TENDER
Tenders are invited for:
Designing, manufacturing, testing, finishing, painting, pecking for export, shipping, unloading at the Port of Suva in Fiji, customs clearance, shipping and transporting from the Port of Suva to the site, erecting, testing at the site, commissioning and maintaining (including spares) a 300 kw horizontal shaft pelton or turbo turbine of 350 kw (nominal) output complete with governor and accessories.
* One synchronous generator of 450 kva rated output complete with excitation equipment.
* Turbine and generator control and protection equipment.
* Line protection and synchronising equipment.
* One 11 kv transformer and switch fuse equipment.
* Communication equipment.
Tender documents may be obtained personally by the tenderer or his authorised representative upon payment of a non-refundable amount of Fij \$100.00 from FEA at the following address:
The Secretary, Tender Committee
FIJI ELECTRICITY AUTHORITY
Western House, Viti Levu, Suva, Fiji
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CANADA

NEW YORK DOW JONES

	June 5	June 4	June 3	June 2	1987		Since completion	
					High	Low	High	Low
Industrials	2326.15	2337.08	2320.01	2278.22	2405.54	1927.31	2405.54	41.25
Common Stocks	87.71	87.65	87.47	87.62	95.51	87.07	95.51	(-)
Transport	986.60	984.59	978.70	966.50	1065.46	916.30	1065.46	12.32
Utilities	198.64	198.47	198.66	198.41	201.50	197.91	201.50	10.31

Day's High 2346.33 (2343.45) Low 2312.35 (2308.71)

STANDARD AND POOR'S

	June 5	June 4	June 3	June 2	1987		Since completion	
					High	Low	High	Low
Industrials	293.45	295.09	295.47	288.46	301.95	246.45	301.95	4.40
Common Stocks	94.53	(w)	94.77	93.97	104.25	92.49	104.25	3.52
Transport	28.38	28.55	28.40	25.94	31.51	25.94	31.51	6.64
Utilities	165.49	166.16	165.27	162.77	171.08	151.08	171.08	4.46

Day's High 295.47 (295.47) Low 288.46 (288.46)

NYSE Composite

	June 5	June 4	June 3	June 2	1987		Since completion	
					High	Low	High	Low
NYSE Composite	165.49	166.16	165.27	162.77	171.08	151.08	171.08	4.46
NYSE Mid. cap.	329.50	329.15	327.33	325.64	342.23	307.49	342.23	29.31
NYSE Small cap.	417.82	417.61	415.90	413.60	439.64	393.64	439.64	54.67

NASDAQ OTC Comp.

	June 5	June 4	June 3	June 2	1987		Since completion	
					High	Low	High	Low
NYSE Composite	165.49	166.16	165.27	162.77	171.08	151.08	171.08	4.46

TRADING ACTIVITY

	June 5	June 4	June 3	June 2	1987		Since completion	
					High	Low	High	Low
NYSE Composite	165.49	166.16	165.27	162.77	171.08	151.08	171.08	4.46

CANADA TORONTO

	June 5	June 4	June 3	June 2	1987		Since completion	
					High	Low	High	Low
Industrials	2836.4	2828.0	2782.0	2742.0	2943.6	2641.0	2943.6	22.1
Common Stocks	372.1	372.6	370.1	367.0	388.2	364.0	388.2	24.1
Transport	1862.9	1864.4	1852.4	1838.0	1955.0	1841.0	1955.0	14.0

NEW YORK ACTIVE STOCKS

	June 5	June 4	June 3	June 2	1987		Since completion	
					High	Low	High	Low
Industrials	2836.4	2828.0	2782.0	2742.0	2943.6	2641.0	2943.6	22.1

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NEW YORK DOW JONES

	June 5	June 4	June 3	June 2	1987		Since completion	
					High	Low	High	Low
Industrials	2326.15	2337.08	2320.01	2278.22	2405.54	1927.31	2405.54	41.25
Common Stocks	87.71	87.65	87.47	87.62	95.51	87.07	95.51	(-)
Transport	986.60	984.59	978.70	966.50	1065.46	916.30	1065.46	12.32
Utilities	198.64	198.47	198.66	198.41	201.50	197.91	201.50	10.31

Day's High 2346.33 (2343.45) Low 2312.35 (2308.71)

STANDARD AND POOR'S

	June 5	June 4	June 3	June 2	1987		Since completion	
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